WESTERN REGIONAL WATER COMMISSION ("WRWC")
AGENDA

Wednesday, October 16, 2019
Note Change of Time and Location to:
8:30 a.m.
Truckee Meadows Water Authority
1355 Capital Blvd., Reno, Nevada

TRUSTEES
Vaughn Hartung, Chair
Kristopher Dahir, Vice Chair
Sandra Ainsworth,
Secretary-Treasurer
Donald Abbott
Paul Anderson
Jenny Brekhus
Naomi Duerr
Jeanne Herman
Bob Lucey

NOTICE OF POSSIBLE QUORUM OF THE BOARD OF DIRECTORS OF THE TRUCKEE MEADOWS WATER AUTHORITY ("TMWA"), AND/OR THE BOARD OF COUNTY COMMISSIONERS ("BCC") FOR WASHOE COUNTY, AND/OR THE SPARKS CITY COUNCIL ("SCC")

(See following Notes)

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

1. Items on this agenda on which action may be taken are followed by the term "For Possible Action". Non-action items are followed by an asterisk (*).
2. Public comment is limited to three minutes per speaker and is allowed during the public comment periods, and before action is taken on any action item. Comments are to be directed to the Commission as a whole. Persons may not allocate unused time to other speakers. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a Public Comment Information ("Request to Speak") card and submitting it to the clerk.
3. Items on this agenda may be taken out of order, combined with other agenda items for consideration, removed from the agenda, or delayed for discussion at any time. Arrive at the meeting at the posted time to hear item(s) of interest.
4. Supporting material provided to the Commission for items on the agenda is available to members of the public at the Western Regional Water Commission ("WRWC") offices, 1001 E 9th Street, Reno, NV, from Jim Smitherman, Water Resources Program Manager, (775) 954-4657, and on the WRWC website at http://www.wrwc.us
5. The Washoe County Commission Chambers are accessible to the disabled. We are pleased to make reasonable accommodations for persons who are disabled and wish to attend meetings. If you require special arrangements for the meeting, please call (775) 954-4657 no later than 24 hours prior to the meeting.
6. In accordance with NRS 241.020, this agenda has been posted at the following locations: Reno City Hall (1 East First Street), Sparks City Hall (431 Prater Way), Sun Valley GID (5000 Sun Valley Blvd.), TMWA (1355 Capital Blvd.), Washoe County Administration Building (1001 E. Ninth Street), South Valleys Library (15650A Wedge Parkway), the WRWC website at http://www.wrwc.us, and the State of Nevada website at https://notice.nv.gov

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 19, 2019, meeting. (For Possible Action)
6. Discussion and possible approval of the fiscal year 2018 - 2019 WRWC financial statements and audit opinion, and possible direction to staff – Ben Hutchins, Director, Finance & Customer Service Division, Washoe County Community Services Department, and Zeth Macy, Schettler Macy & Associates, LLC. (For Possible Action)

7. Discussion and possible designation of Schettler Macy & Associates, LLC as the external auditors for the fiscal year 2019 - 2020 WRWC financial statement audit; and, if approved, authorize the Chair to execute the related Engagement Letter, and direct staff to file the required documents with the State of Nevada – Ben Hutchins. (For Possible Action)

8. Report by the Desert Research Institute (“DRI”) on last winter’s cloud seeding operations for the Truckee River and Lake Tahoe Basins, and possible direction to staff – Frank McDonough, Associate Research Scientist, DRI, and Chris Wessel, WRWC Water Management Planner. (For Possible Action)

9. A. Discussion and possible acceptance of a Clean Water Act Grant from the State of Nevada, in the amount of $40,000, to partially fund the ongoing Bedell Flat Aquifer Storage and Recovery Investigation (the “Project”);
   B. discussion and possible approval of a proposed scope of work and budget, in an amount not to exceed $40,000 from the Regional Water Management Fund (“RWMF”), for the Truckee Meadows Water Authority (“TMWA”) to continue the Project; and
   C. if approved, authorize the Chair to enter into a Subgrant Agreement with NDEP and an interlocal agreement with TMWA for the above purposes. (The Clean Water Act Grant will reimburse the RWMF.) – Jim Smitherman, WRWC Water Resources Program Manager. (For Possible Action)

10. Discussion and possible direction to staff regarding the appointment or reappointment of two voting members to the Northern Nevada Water Planning Commission (“NNWPC”): a public at large member to represent environmental, biological, conservation or public concerns; and, a member to represent owners of domestic wells – Jim Smitherman. (For Possible Action)

11. Discussion and possible approval and adoption of Resolution No. 7, establishing a policy restricting expenditures from the RWMF to pay for construction projects; and possible direction to staff – John Rhodes, WRWC Legal Counsel. (For Possible Action)

12. Discussion and possible approval of a Letter of Engagement for McDonald Carano LLP to provide legal services for the WRWC and the NNWPC; if approved, authorize the Chair to execute the Letter; and possible direction to staff – Jim Smitherman and Michael Pagni, Partner, McDonald Carano LLP. (For Possible Action)

13. Discussion and possible direction to staff regarding agenda items and dates for future WRWC meetings – Jim Smitherman. (For Possible Action)
14. Commission Comments *
15. Staff Comments *
16. Public comment – limited to no more than three minutes per speaker *
17. Adjournment. (For Possible Action)
WESTERN REGIONAL WATER COMMISSION
DRAFT MINUTES

Wednesday, June 19, 2019

The Western Regional Water Commission (“WRWC”) Board of Trustees held a regular meeting on Wednesday, June 19, 2019, at the Sparks Council Chambers, Legislative Building, 745 Fourth St., Sparks, Nevada, and conducted the following business.

1. Roll Call and Determination of Presence of a Quorum

Chair Hartung called the meeting to order at 8:30 a.m. There was a quorum present.

Commissioners Present:
Donald Abbott (“TMWRF”)
Sandra Ainsworth (“SVGID”)
Paul Anderson (“TMWA” (Sparks))
Jenny Brekhus (TMWA (Reno))
Kristopher Dahir (City of Sparks)
Naomi Duerr (City of Reno)
Vaughn Hartung (Washoe County)
Jeanne Herman (TMWA (Washoe County))
Bob Lucey (TMWA (STMGID Successor))

Commissioners Absent:
None

2. Pledge of Allegiance

The Pledge of Allegiance was led by Mr. Hildebrand.

3. Public Comment

None

4. Approval of Agenda (For Possible Action)

COMMISSIONER DUERR MADE A MOTION TO APPROVE THE AGENDA, SECONDED BY COMMISSIONER DAHIR. THE MOTION CARRIED UNANIMOUSLY WITH NINE (9) COMMISSIONERS PRESENT.

5. Approval of the Minutes for the May 23, 2019, Meeting (For Possible Action)

COMMISSIONER DAHIR MADE A MOTION TO APPROVE THE MINUTES, SECONDED BY COMMISSIONER AINSWORTH. THE MOTION CARRIED UNANIMOUSLY WITH NINE (9) COMMISSIONERS PRESENT.

6. Review and discussion of responses to the Request for Proposals/Qualifications to provide legal services for the WRWC and the Northern Nevada Water Planning
Commission (“NNWPC”); appearances by respondents, possible selection of a firm or individual to provide legal services, and possible direction to staff – Jim Smitherman, WRWC Water Resources Program Manager. (For Possible Action)

Jim Smitherman, WRWC Water Resources Program Manager, presented information included in the staff report. The report includes a list of responses to the Notice to Attorneys concerning the Request for Qualifications (“RFQ”) and Proposals (“RFP”), and Legal Counsel Position Scope of Work received from law firms or individuals.

A brief presentation was made and questions were answered by each of the following applicants: Michael Pagni, McDonald Carano; Debbie Leonard, Leonard Law; Sev Carlson, Kaempfer Crowell; Jason Guinasso, Hutchison and Steffen; Ben Kennedy, Dickinson Wright; Gary Kvistad, Brownstein Hyatt Farber Schreck; and Kevin Benson, Benson Law.

Chair Hartung suggested each commissioner write their top two applicant selections down on paper to be tabulated so no commissioner ends up in the position of casting a tie-breaking vote.

Commissioner Brekhus suggested that each commissioner select their top three choices so that if a contract is not successfully negotiated with the first choice, contract negotiations can begin with the second choice without going through this selection process again.

(Chair Hartung called a five minute recess. Upon reconvening, Commissioner Duerr was absent.)

The ballots were read into the record, as follows:
- Hermann - 1) McDonald Carano; 2) Kaempfer Crowell; and 3) Benson Law.
- Lucy - 1) McDonald Carano; 2) Leonard Law; and 3) Dickinson Wright.
- Hartung - 1) McDonald Carano; 2) Kaempfer Crowell; and 3) Leonard Law.
- Duerr - 1) Leonard Law; Kaempfer Crowell; and 3) McDonald Carano.
- Ainsworth – 1) McDonald Carano; 2) Kaempfer Crowell; and 3) Leonard Law.
- Dahir – 1) Hutchison & Steffen; 2) McDonald Carano; and 3) Leonard Law.
- Abbott – 1) Hutchison & Steffen; 2) McDonald Carano; and 3) Leonard Law.
- Anderson - 1) McDonald Carano; 2) Leonard Law; and 3) Hutchison & Steffen.
- Brekhus – 1) Leonard Law; 2) Brownstein Hyatt et al; and 3) Hutchison & Steffen.

Tabulation and ranking: 1) McDonald Carano; 2) Leonard Law; and 3) Kaempfer Crowell.

BASING UPON THE RESULTS OF THE VOTING BY ALL BOARD MEMBERS, IT WAS MOVED BY COMMISSIONER LUCEY TO RECOMMEND STAFF APPROVE THE PROPOSALS FROM THE FOLLOWING FIRMS IN ORDER: MCDONALD CARANO; LEONARD LAW; AND KAEMPFER CROWELL, TO PROVIDE LEGAL SERVICES FOR THE WRWC AND THE NNWPC AS SUBMITTED AND DIRECT STAFF TO NEGOTIATE A FINAL AGREEMENT WITH THE FIRMS IN THAT ORDER, AND IF THOSE FIRMS ARE UNABLE TO COME TO AN AGREEMENT THEN THE NEXT FIRM IN LINE WOULD BE ADDRESSED AND NEGOTIATED WITH, SECONDED BY COMMISSIONER
DAHIR. THE MOTION CARRIED UNANIMOUSLY WITH EIGHT (8) COMMISSIONERS PRESENT.

7. Report on legislative activities, including Bills passed in the 2019 session of the Nevada Legislature that may affect or are of interest to the WRWC / NNWPC; and possible direction to staff — John Rhodes, WRWC Legal Counsel. (For Possible Action)

Mr. Rhodes provided a staff report including a list summarizing Bills tracked by WRWC staff and the WRWC Legislative Subcommittee during the 2019 session of the Nevada Legislature. The final status of each Bill, and WRWC positions on Bills, other than “Neutral/Watch”, are highlighted in yellow.

No action was taken.

8. Discussion and possible direction to staff regarding agenda items and dates for future WRWC meetings - Jim Smitherman. (For Possible Action)

The next WRWC meeting will be held on October 16, 2019. The agenda will include a review of the audit report and approval of financial statements. Also, on Wednesday, June 26 at 10:00 a.m., commissioners are invited to a tour of the A+ treatment units at South Truckee Meadows Water Reclamation Facility (“STMWRF”).

(Commissioner Duerr present at 10:00 a.m.)

No action was taken.

9. Commission Comments

Commissioners expressed appreciation for the number and quality of the applicants to provide legal services for the WRWC/NNWPC.

10. Staff Comments

Mr. Rhodes confirmed that he will continue to provide services until a new contract is approved and ratified by the WRWC Board. He will pro rate his current flat fee monthly retainer as of the effective date of the new contract, and provide assistance after that, during the transition, without charge.

11. Public Comment

None

12. Adjournment (For Possible Action)

The meeting was adjourned at 10:06 a.m.
Respectfully submitted by,
Christine Birmingham, Recording Secretary

Approved by Commission in session on ________________ 2019.

_____________________________
Chair Vaughn Hartung
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019
TO: Chair and Members, Western Regional Water Commission ("WRWC")
FROM: Ben Hutchins, Director, Finance & Customer Service Division, Washoe County Community Services Department
SUBJECT: Discussion and possible approval of the fiscal year 2018 - 2019 WRWC financial statements and audit opinion, and possible direction to staff.

SUMMARY
The attached report presents the WRWC's financial statements for the year ended June 30, 2019, and the auditor’s opinion thereof. It is the auditor’s expressed opinion that the financial statements present fairly, in all material respects, the financial position of the WRWC as of June 30, 2019, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America. The comparative financial statements for the year ended June 30, 2018 were, however, restated due to outstanding payables not identified and accrued in a timely manner for that accounting period.

The report is being presented for consideration, discussion and approval.

PREVIOUS ACTION
On October 17, 2018, the WRWC voted to designate Schettler Macy & Associates, LLC as the WRWC’s external auditors for fiscal year 2018 - 2019.

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 & Associates, LLC to provide the audit services of its financial statements for the year ending June 30, 2019.

As noted above, the financial statements for the year ended June 30, 2018 were restated. As a result, staff has developed an action plan to address deficiencies in procedures to ensure outstanding payables are identified and accrued timely in future accounting periods.

The audit results, and opinion and findings of the auditor, must be presented at a meeting of the governing body and immediately thereafter filed as a public record with the secretary of the governing body, the county clerk, and the Nevada Department of Taxation.

FISCAL IMPACT
There is no fiscal impact.
RECOMMENDATION
Staff recommends that the WRWC approve the financial statements and audit opinion from Schettler Macy & Associates, LLC for fiscal year 2018 - 2019.

POSSIBLE MOTION
“Move to approve the WRWC financial statements and audit opinion from Schettler Macy & Associates, LLC for fiscal year 2018 - 2019, and direct staff to file the same as a public record, as required by law.”

Attachments: Financial Statements

JS:jp
September 27, 2019

To the Board of Trustees and Management
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 (Commission) for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 27, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to management’s discussion and analysis and budgetary comparison information, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit.
However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

This information is intended solely for the use of the Board of Trustees and the management of the Western Regional Water Commission and is not intended to be and should not be used by anyone other than these specified parties.

**Significant Audit Matters**

*Communication of Material Weaknesses*

In planning and performing our audit of the basic financial statements of the Commission as of and for the year ended June 30, 2019, 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, we considered the Commission’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity’s financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in item Finding 2019-01 on pages 26 and 27 of the separately bound audit report to be material weaknesses.
Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures may also be particularly sensitive because of their significance to the financial statement users. As included in our letters dated November 16, 2011 and September 4, 2012, management has determined in accordance with the Cooperative Agreement for Contractual Professional and Administrative Staff Services dated November 7, 2008, the Commission is responsible for reimbursement of sick pay and accrued vacation, as discussed in Note 1 to the financial statements, however, this responsibility does not extend to other postemployment benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested and received certain representations from management that are included in the management representation letter dated September 27, 2019.
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors and/or during the audit fieldwork and completion phases. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Closing Comments

We appreciate the cooperation and courtesies extended to us during the course of the audit and we look forward to our continued association.
WESTERN REGIONAL WATER COMMISSION

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INDEPENDENT AUDITOR’S REPORT

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

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, and the respective 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.

Other Matters

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2019, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission’s internal control over financial reporting and compliance.

Reno, Nevada
September 27, 2019
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, 2019. 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 upon passage of 2007 Nevada Legislature Senate Bill 487 to improve water resource planning at the regional level and facilitate coordinated resource management among the four then existing 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 among the following member agencies at the time: 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.

On December 31, 2014, the Truckee Meadows Water Authority assumed the assets and obligations of the Washoe County and South Truckee Meadows General Improvement District water utilities. Washoe County is still in existence and plays an integral part in the cooperative agreement; however, the South Truckee Meadows General Improvement District has been dissolved. To this end, the Commission is directed by a Board of Trustees composed of members from each of the original governing agencies, excluding the South Truckee Meadows General Improvement District.

Financial Highlights

- The Commission’s Government-wide net position increased by $304 thousand to $1.42 million.
- The Commission’s General Fund reported an increase in fund balance of $311 thousand to $1.45 million.
Governmental Activities:

- General revenues increased by $152 thousand or 10% from the prior year.
- Expenses decreased by nearly $148 thousand or 11% 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 Position presents information on all of the Commission’s assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the balance reported as the net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

**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 Position as of June 30, 2019 and 2018:

<table>
<thead>
<tr>
<th>WESTERN REGIONAL WATER COMMISSION NET POSITION</th>
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<tbody>
<tr>
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<tr>
<td><strong>2019</strong></td>
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<tr>
<td><strong>Assets</strong></td>
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<tr>
<td>Current assets</td>
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<tr>
<td><strong>Liabilities</strong></td>
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<tr>
<td>Current liabilities</td>
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<tr>
<td>Long-term liabilities</td>
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<tr>
<td><strong>Net Position</strong></td>
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<tr>
<td>Unrestricted</td>
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Governmental Activities

The Commission’s governmental activities for the years ended June 30, 2019 and 2018 are presented in the following table:

WESTERN REGIONAL WATER COMMISSION
CHANGES IN NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Restated)</th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
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<tr>
<td>Program revenues:</td>
<td></td>
<td></td>
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<tr>
<td>Operating grants and contributions $39,880</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td>General revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water surcharge fees</td>
<td>1,590,013</td>
<td>1,489,557</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>53,500</td>
<td>2,282</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,683,393</td>
<td>1,491,839</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>1,379,364</td>
<td>1,527,266</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>1,379,364</td>
<td>1,527,266</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>304,029</td>
<td>(35,427)</td>
</tr>
<tr>
<td><strong>Net Position, July 1, restated</strong></td>
<td>$1,111,847</td>
<td>$1,147,274</td>
</tr>
<tr>
<td><strong>Net Position, June 30</strong></td>
<td>$1,415,876</td>
<td>$1,111,847</td>
</tr>
</tbody>
</table>

Economic Factors / Next Year’s Budget / Other Significant Matters

Overall, revenue was 10% more than the previous fiscal year, which is expected based on the recent growth and development in Washoe County. In the opinion of management, revenue is sufficient and will continue to be stable since member purveyors regularly monitor water rates to insure an acceptable level of cash flow for operations. As a result, a consistent and stable source of revenue should continue to provide sufficient financial resources for the Commission to achieve its desired goals and objectives.
Unrestricted net position as of June 30, 2019 was $1.42 million, whereas operating expenses in the June 30, 2020 budget are only $581 thousand, or 25% 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 Community Services Department

1001 E. Ninth Street
Reno, NV 89512
FINANCIAL STATEMENTS
WESTERN REGIONAL WATER COMMISSION

STATEMENT OF NET POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

<table>
<thead>
<tr>
<th>GOVERNMENTAL ACTIVITIES</th>
<th>2019</th>
<th>2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</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>$1,381,345</td>
<td>$1,134,402</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>374,817</td>
<td>357,907</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>5,755</td>
<td>4,809</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,761,917</td>
<td>1,497,118</td>
</tr>
<tr>
<td>LIABILITIES AND NET POSITION</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>31,120</td>
<td>33,590</td>
</tr>
<tr>
<td>Accrued salaries payable</td>
<td>6,099</td>
<td>6,832</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>271,248</td>
<td>312,010</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>308,467</td>
<td>352,432</td>
</tr>
<tr>
<td><strong>Accrued Compensated Absences</strong></td>
<td>37,574</td>
<td>32,839</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>346,041</td>
<td>385,271</td>
</tr>
<tr>
<td><strong>Net Position, Unrestricted</strong></td>
<td>$1,415,876</td>
<td>$1,111,847</td>
</tr>
</tbody>
</table>

See accompanying notes.
**WESTERN REGIONAL WATER COMMISSION**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**  
*(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)*

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>$ 1,379,364</td>
<td>$ 1,527,266</td>
</tr>
<tr>
<td><strong>Program Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating grants</td>
<td>39,880</td>
<td>-</td>
</tr>
<tr>
<td>Net Program Revenues (Expenses)</td>
<td>(1,339,484)</td>
<td>(1,527,266)</td>
</tr>
<tr>
<td><strong>General Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water surcharge fees</td>
<td>1,590,013</td>
<td>1,489,557</td>
</tr>
<tr>
<td>Unrestricted investment earnings</td>
<td>53,500</td>
<td>2,282</td>
</tr>
<tr>
<td>Total General Revenues</td>
<td>1,643,513</td>
<td>1,491,839</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>304,029</td>
<td>(35,427)</td>
</tr>
<tr>
<td><strong>Net Postion - July 1, as restated</strong></td>
<td>1,111,847</td>
<td>1,147,274</td>
</tr>
<tr>
<td><strong>Net Position - June 30</strong></td>
<td>$ 1,415,876</td>
<td>$ 1,111,847</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
# WESTERN REGIONAL WATER COMMISSION

## GOVERNMENTAL FUND BALANCE SHEET

**JUNE 30, 2019**

*(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)*

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2019</th>
<th>2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and investments</td>
<td>$1,381,345</td>
<td>$1,134,402</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>374,817</td>
<td>357,907</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>5,755</td>
<td>4,809</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$1,761,917</strong></td>
<td><strong>$1,497,118</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$31,120</td>
<td>$33,590</td>
</tr>
<tr>
<td>Accrued salaries payable</td>
<td>6,099</td>
<td>6,832</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>271,248</td>
<td>312,010</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>308,467</strong></td>
<td><strong>352,432</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>DEFERRED INFLOWS OF RESOURCES</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable revenue - surcharge fees</td>
<td>1,113</td>
<td>3,333</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assigned to subsequent year's budget</td>
<td>755,600</td>
<td>792,163</td>
</tr>
<tr>
<td>Unassigned</td>
<td>696,737</td>
<td>349,190</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td><strong>1,452,337</strong></td>
<td><strong>1,141,353</strong></td>
</tr>
</tbody>
</table>

| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | $1,761,917 | $1,497,118 |

*See accompanying notes.*
Fund Balance - Governmental Fund  $  1,452,337

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

Accrued compensated absences reported in the
Statement of Net Position are not due and payable in the
current period and therefore are not reported in the
governmental fund.  (37,574)

Revenues that are not available to pay for current
expenditures and therefore are not reported in the
governmental fund.  1,113

Net Position - Governmental Activities  $  1,415,876
## WESTERN REGIONAL WATER COMMISSION

**GOVERNMENTAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2019**

*(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)*

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018 (Restated)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water surcharge fees</td>
<td>$1,592,233</td>
<td>$1,488,637</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>39,880</td>
<td>-</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>53,500</td>
<td>2,282</td>
</tr>
<tr>
<td></td>
<td>1,685,613</td>
<td>1,490,919</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>1,374,629</td>
<td>1,524,688</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Change in Fund Balance</td>
<td>310,984</td>
<td>(33,769)</td>
</tr>
<tr>
<td><strong>FUND BALANCE, July 1, as restated</strong></td>
<td>1,141,353</td>
<td>1,175,122</td>
</tr>
<tr>
<td><strong>FUND BALANCE, June 30</strong></td>
<td>$1,452,337</td>
<td>$1,141,353</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
Net Change in Fund Balance - Governmental Fund

$ 310,984

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. (4,735)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. (2,220)

Change in Net Position of Governmental Activities

$ 304,029

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, 2019
(WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018)

<table>
<thead>
<tr>
<th></th>
<th>2019 Original And Final Budget</th>
<th>2019 Actual</th>
<th>Variance To Final Budget</th>
<th>2018 (Restated) Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water surcharge fees</td>
<td>$1,479,124</td>
<td>$1,592,233</td>
<td>$113,109</td>
<td>$1,488,637</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>40,000</td>
<td>39,880</td>
<td>(120)</td>
<td>-</td>
</tr>
<tr>
<td>Earnings on investments</td>
<td>24,279</td>
<td>53,500</td>
<td>29,221</td>
<td>2,282</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,543,403</td>
<td>1,685,613</td>
<td>142,210</td>
<td>1,490,919</td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services and supplies</td>
<td>2,335,566</td>
<td>1,374,629</td>
<td>960,937</td>
<td>1,524,688</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenues Over (Under) Expenditures</strong></td>
<td>(792,163)</td>
<td>310,984</td>
<td>1,103,147</td>
<td>(33,769)</td>
</tr>
<tr>
<td><strong>FUND BALANCE, July 1, as restated</strong></td>
<td>1,185,366</td>
<td>1,141,353</td>
<td>(44,013)</td>
<td>1,175,122</td>
</tr>
<tr>
<td><strong>FUND BALANCE, June 30</strong></td>
<td>$393,203</td>
<td>$1,452,337</td>
<td>$1,059,134</td>
<td>$1,141,353</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Western Regional Water Commission (Commission) was created on April 1, 2008 upon passage of 2007 Nevada Legislature Senate Bill 487 to improve water resource planning at the regional level and facilitate coordinated resource management among the public water purveyors of Washoe County. Previously, the four water purveyors consisted of the Truckee Meadows Water Authority, Washoe County Water Resources, Sun Valley General Improvement District and South Truckee Meadows General Improvement District. However, as of December 31, 2014, Washoe County Water Resources and South Truckee Meadows General Improvement District merged with the Truckee Meadows Water Authority.

A cooperative agreement was entered into upon the creation of the Commission by the following member agencies at the time: 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 currently directed by a Board of Trustees comprised of members from each of the original governing agencies, excluding the South Truckee Meadows General Improvement District.

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 Position 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.

*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 measureable 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 payout of 800 hours at 100% of an employee’s then existing pay rate.

**Revenue**

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

**Correction of an Error**

During fiscal year 2019, management determined that certain services and supplies expenditures were not properly accrued as of June 30, 2018. As a result, accounts payable, due to other governments, and service and supplies expenditures were understated.

The financial statements for the year ended June 30, 2018 have been restated as follows:

<table>
<thead>
<tr>
<th>Account</th>
<th>As originally reported</th>
<th>As restated</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$ 31,404</td>
<td>$ 33,590</td>
<td>$ 2,186</td>
</tr>
<tr>
<td>Due to other governments</td>
<td>159,943</td>
<td>312,010</td>
<td>152,067</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>1,370,435</td>
<td>1,524,688</td>
<td>154,253</td>
</tr>
<tr>
<td>Change in fund balance</td>
<td>120,484</td>
<td>(33,769)</td>
<td>(154,253)</td>
</tr>
<tr>
<td>Fund balance, end of year</td>
<td>1,295,606</td>
<td>1,141,353</td>
<td>(154,253)</td>
</tr>
</tbody>
</table>
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, 2018, from which the summarized information was derived. Certain amounts presented in the prior year data may be reclassified to be consistent with the current year’s presentation.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. Prior to April 15, the Commission’s Board of Trustees (the “Board”) files a tentative budget with the Nevada Department of Taxation for the fiscal year beginning the following July 1. The tentative budget includes proposed expenditures and the means of financing them.

2. Prior to June 1, at a public hearing, the Board indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the Board’s members.

3. The Commission’s Program Manager is authorized to transfer appropriations between accounts within the Water Management Fund. 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, 2019 consisted of the following:

| Cash in County Treasury | $1,381,345 |

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-200, 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 fair value in accordance with GASB 72. The fair value of the Commission’s position in the pool equals the value of the pool shares.

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

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of its investments. In accordance with Nevada Revised Statutes, the Commission limits its investment instruments by their credit risk. The Washoe County Investment Pool is an unrated external investment pool.
NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of long-term liability activity of the Commission for the year ended June 30, 2019:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2018</th>
<th>Additions</th>
<th>Reductions</th>
<th>June 30, 2019</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated absences</td>
<td>$32,839</td>
<td>$4,735</td>
<td>$-</td>
<td>$37,574</td>
<td>$-</td>
</tr>
</tbody>
</table>

NOTE 5 – NET POSITION AND FUND BALANCE

Net Position

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

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

As of June 30, 2019, the Commission’s net position was comprised of:

- **Unrestricted Net Position** – Net position of the Commission which is not restricted for any project or other purpose.

Fund Balance

The Commission has adopted Governmental Accounting Standards Board (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.

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 provided for 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 Community Services Department (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. Total costs reimbursed by the Commission to the County for these services were $331,593 for the year ended June 30, 2019.

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. Total costs reimbursed by the Commission to the County for these services were $48,389 for the year ended June 30, 2019.

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, 2019 were $1,592,233, which includes accounts receivable of $374,817.

**NOTE 7 – COMMITMENTS**

On May 16, 2013, the Commission entered into an interlocal agreement with Truckee Meadows Water Authority (TMWA) to implement plans to manage and maximize the yield of regional water supplies in furtherance of the Truckee River Operating Agreement (TROA). Part of the TROA provides that Reno, Sparks and Washoe County agree to provide 6,700 acre-feet of water rights for water quality purposes. TMWA is actively engaged in the water rights market in the ordinary course of its operation of the public water system. Through this agreement the Commission committed Regional Water Management Fund monies up to $2,700,000 to reimburse TMWA for costs incurred to purchase these water rights. Title of the water rights purchased under this agreement shall be conveyed to Reno, Sparks and Washoe County as tenants in common with undivided 1/3 interest each. Total costs for purchases made under this agreement through June 30, 2019 were $2,652,769.

This agreement shall terminate in the event of a) thirty days written notice by either party; b) non-appropriation by the Commission; or c) upon expenditure of the $2,700,000 as discussed above.
NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2019, the date the financial statements were available to be issued. The Commission has determined there are no material transactions that have not been disclosed.
COMPLIANCE SECTION
INDEPENDENT AUDITOR’S 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, in accordance with the 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements and have issued our report thereon dated September 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item Finding 2019-01 that we consider to be a material weakness.
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.

Commission’s Response to Findings

The Commission’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission’s response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reno, Nevada
September 27, 2019
Finding 2019-01 Internal controls over Disbursements (Material Weakness)

Criteria:
An effective internal control system over purchases, accounts payable and cash disbursements provides reasonable assurance for the safeguarding of assets and the reliability of financial information.

Condition:
Our audit identified the following deficiencies in internal controls that, when taken together, represent a material weakness:

- The Commission does not have controls in place to ensure that purchase orders are created upon authorization of services to be rendered.
- The Commission does not have controls in place to ensure that vendors performing services have submitted all invoices for payment.
- The Commission does not have controls in place to ensure all invoices submitted are entered into the accounting system.

Cause:
The Commission lacks procedures to ensure that all outstanding payables have been properly recorded in the accounting system.

Effect:
The Commission’s 2018 financial statements required a material adjustment in order to include additional expenditures of approximately $154 thousand.
Recommendation:
We recommend that the Commission design its policies and procedures to ensure that upon authorization of services to be rendered, a purchase order is created. Additionally, the Commission should periodically contact the vendors performing services under contract to determine if there are any outstanding invoices that need to be submitted for payment. Finally, all invoices received should be directed to the Washoe County Accounts Payable Team to ensure that they are properly tracked and routed.

Management Corrective Action Plan:
This response covers the three deficiencies listed above.

Management acknowledges that during fiscal year 2019, adequate controls were not in place to ensure that purchase orders were created upon authorization of services to be rendered. This resulted in failure to timely request a $100,000 purchase order to be issued to a vendor after the Commission had authorized the expenditure and executed an interlocal agreement for the services. Management has implemented temporary measures—a large dry-erase board tracking system visible to all Commission staff—to correct the deficiency. Commission meeting agendas and minutes are reviewed after each meeting and all actions requiring a purchase order are written on the board. Staff actions leading up to a purchase order request are listed and dated. An item is removed from the board only after confirmation of purchase order issuance. Permanent measures will be documented in the Commission’s internal controls document once the temporary measures are refined and proven effective.

Management acknowledges that during fiscal year 2019, adequate controls were not in place to ensure that vendors performing services had submitted all invoices for payment. This resulted in a small number of invoices being submitted in an untimely manner and caused prior period adjustments to be made. Management has implemented measures such that all vendors are requested to provide full statements twice yearly showing invoice and payment history for the current fiscal year. Statements will identify outstanding balances and verify that a full fiscal year of invoices has been received and processed. The request for semiannual statements will be documented in the Commission’s internal controls document.
Management acknowledges that during fiscal year 2019, adequate controls were not in place to ensure that all invoices submitted were entered into the accounting system. This resulted in late payment of a small number of invoices, which caused prior period adjustments to be made. Management is implementing measures requiring all invoices to be submitted to both the Washoe County Accounts Payable Team in addition to Commission staff. A detailed invoice tracking log is in place to ensure timely processing and avoid duplicate processing. This measure will be documented in the Commission’s internal controls document.
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

Our recommendations related to findings are reported in the schedule of Findings and Responses for the year ended June 30, 2019.

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 10, 2019
TO: Chair and Members, Western Regional Water Commission ("WRWC")
FROM: Ben Hutchins, Director, Finance & Customer Service Division, Washoe County Community Services Department (“CSD”)
SUBJECT: Discussion and possible designation of Schettler Macy & Associates, LLC as the external auditors for the fiscal year 2019 - 2020 WRWC financial statement audit; and, if approved, authorize the Chairman to execute the related Engagement Letter, and direct staff to file the required documents with the State of Nevada.

SUMMARY
Staff is recommending that the WRWC designate Schettler Macy & Associates, LLC, as the auditors for fiscal year 2019 - 2020, approve the related Engagement Letter, and direct staff to report this designation to the State of Nevada by the March 30, 2020 deadline.

PREVIOUS ACTION
On October 17, 2018, the WRWC voted to designate Schettler Macy & Associates, LLC as the WRWC’s external auditors for fiscal year 2018 - 2019.

BACKGROUND
Nevada Revised Statutes require the selection of external auditors to be made and communicated to the State no later than March 30th of each fiscal year. In anticipation of this deadline, CSD secured an engagement letter and price proposal from Schettler Macy & Associates, LLC (letter attached).

Since Schettler Macy & Associates, LLC has performed audits in past fiscal years in a professional and cost effective manner, and the proposed fee for the 2019 - 2020 audit is reasonable with a nominal increase in cost over the prior year, staff recommends designating Schettler Macy & Associates, LLC as the external auditors for fiscal year 2019 - 2020 WRWC financial statement audit.

FISCAL IMPACT
The proposal received from Schettler Macy & Associates, LLC indicates audit services would be billed based on their standard hourly rates, plus out-of-pocket costs, with a total fee not to exceed $8,900. Budget authority is located in Fund Group 766, Fund 7066, Account Number 710139, Professional Services, Cost Object WP310706.

RECOMMENDATION
Staff recommends that the WRWC designate Schettler Macy & Associates, LLC as the external auditors for the fiscal year ending June 30, 2020, authorize the Chairman to execute the related
Engagement Letter, and direct staff to report the designation to the State of Nevada by the statutory deadline.

**POSSIBLE MOTION**

“Move to designate Schettler Macy & Associates, LLC as the WRWC’s external auditors for the fiscal year ending June 30, 2020, authorize the Chairman to execute the related Engagement Letter, and direct staff to report the designation to the State of Nevada by the statutory deadline.”

Attachments: Schettler Macy & Associates, LLC, Letter of Engagement

JS:jp
October 1, 2019

Mr. Ben Hutchins, CPA  
Western Regional Water Commission  
c/o Washoe County Community Services Department  
1001 E. Ninth Street, Reno, NV 89512  
Reno, NV 89512

Dear Ben,

We are pleased to confirm our understanding of the services we are to provide the Western Regional Water Commission (WRWC) for the year ended June 30, 2020. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of WRWC as of and for the year ended June 30, 2019. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), 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. As part of our engagement, we will apply certain limited procedures to WRWC’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management’s Discussion and Analysis

2) Budgetary Comparison Schedule

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of WRWC and other procedures we consider necessary to enable us to express such opinions.
We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that WRWC is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and Government Auditing Standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.
At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

**Audit Procedures—Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

**Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of WRWC’s compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

**Other Services**

We will also assist in preparing the financial statements and related notes of WRWC in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

**Management Responsibilities**

Management is responsible for designing, implementing, and maintaining effective internal controls, including evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all
accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management’s views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.
You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

**Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to WRWC; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Schettler Macy & Associates, LLC and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to the State of Nevada or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Schettler Macy & Associates, LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State of Nevada.

Zeth M. Macy is the engagement partner and is responsible for supervising the engagement and signing the reports. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed $8,900. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.
We appreciate the opportunity to be of service to the WRWC and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Thank you.

Very truly yours,

SCHETTLER MACY & ASSOCIATES, LLC

Zeth M. Macy, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Western Regional Water Commission.

By: ________________________

Title: ______________________
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019
TO: Chair and Members, Western Regional Water Commission (WRWC”)
FROM: Chris Wessel, Water Management Planner, WRWC
SUBJECT: Report by the Desert Research Institute (“DRI”) on last winter’s cloud seeding operations for the Truckee River and Lake Tahoe Basins, and possible direction to staff.

SUMMARY
Since 2009, DRI has conducted its cloud seeding program for the Truckee River and Lake Tahoe Basins (the “Program”) using funds provided by either the Truckee Meadows Water Authority (“TMWA”) or the Truckee River Fund ("TRF"), and the WRWC. At this time, the WRWC, TMWA and the TRF do not anticipate providing funding for the Program in the 2019-2020 water year.

Frank McDonough, Associate Research Scientist at DRI, will provide a presentation on last winter’s cloud seeding operations for water year 2018-2019.

PREVIOUS ACTION
At a regular meeting held October 17, 2018, the WRWC approved funding, in an amount not to exceed $50,000 from the RWMF, to support limited cloud seeding operations by DRI for the 2018-2019 water year, and authorized the Chairman to execute an interlocal agreement with DRI for that purpose.

BACKGROUND
Wintertime cloud seeding is focused on enhancing snowfall in mountainous regions to increase the snowpack, resulting in more spring runoff and water supplies in the surrounding areas. The DRI Program has been in operation for more than 25 years. DRI estimates that cloud seeding has boosted water in the snowpack for the Truckee River watershed by an average of 14,000 acre-feet a year over the last 30 years.

DRI funding cuts in 2008 threatened to eliminate its cloud seeding operations such that outside financing was necessary to continue the Program. In response, DRI applied to the TRF in 2009 to support the operation of five cloud seeding generators in the Sierra Nevada. DRI received approval for partial funding from the TRF and the WRWC for the 2009-2010 water year. DRI has applied for and received funding from the TRF, and more recently TMWA, and the WRWC to fully or partially support the Program in each successive water year. DRI intends to utilize other funding sources to continue the Program for the 2019-2020 water year.
FISCAL IMPACT
None

RECOMMENDATION
Staff recommends that the WRWC accept the report and provide other direction to staff, if any.

POSSIBLE MOTION
“Move to accept the report.”
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019

TO: Chair and Members, Western Regional Water Commission (“WRWC”)

FROM: Jim Smitherman, WRWC Water Resources Program Manager

SUBJECT: A. Discussion and possible acceptance of a Clean Water Act Grant from the State of Nevada, in the amount of $40,000, to partially fund the ongoing Bedell Flat Aquifer Storage and Recovery Investigation (the “Project”); B. discussion and possible approval of a proposed scope of work and budget, in an amount not to exceed $40,000 from the Regional Water Management Fund (“RWMF”), for the Truckee Meadows Water Authority (“TMWA”) to continue the Project; and C. if approved, authorize the Chair to enter into a Subgrant Agreement with NDEP and an interlocal agreement with TMWA for the above purposes. (The Clean Water Act Grant will reimburse the RWMF.)

________________________________________________________________________

SUMMARY

On August 1, 2019, the Northern Nevada Water Planning Commission (“NNWPC”) made a recommendation to the WRWC to accept a Clean Water Act Grant from the State of Nevada, in the amount of $40,000, to partially fund the Project being conducted by TMWA, and enter into a Subgrant Agreement with NDEP for that purpose.

On the same day, the NNWPC made a recommendation to the WRWC to approve TMWA’s proposal and scope of work for the Project, and execute an interlocal agreement with TMWA to continue the Project. An interlocal agreement with TMWA is necessary to provide for reimbursement, in an amount not to exceed $40,000 from the Regional Water Management Fund (“RWMF”), for expenses associated with the Project.

The Subgrant Agreement with NDEP will be attached to the interlocal agreement with TMWA. The RWMF will reimburse TMWA for a portion of Project expenses by way of the interlocal agreement, and the NDEP Subgrant Agreement will in turn reimburse the RWMF.

BACKGROUND

The 2007 Washoe County 208 Water Quality Management Plan contemplates a small number of long-term regional alternatives for the management of treated wastewater effluent. Alternatives include new and innovative treatment technology and aquifer recharge using highly treated effluent. A 2010 report entitled “Regional Integrated Wastewater System Planning”, funded in part by NDEP’s 604(b) Water Quality Planning fund, identifies Bedell Flat as an area for possible aquifer storage or aquifer recharge.
using highly treated effluent. This concept also appears in both the Regional Water Management Plan and the TMWA Water Resource Plan, as a potential site for an integrated water resource aquifer storage and recovery (“ASR”) program.

The program would provide for the management of highly treated effluent from one or more water reclamation facilities and enhance water reserves. Integrated water resource management alternatives in Bedell Flat include infiltration of highly treated effluent through a proposed rapid infiltration bed (“RIB”) or along a natural drainage referred to as Bird Springs Drainage, injection of potable water using ASR wells and North Valley Importation Project water, or a combination of these. The WRWC has partnered with the City of Reno, Washoe County, and TMWA to assess the feasibility of an ASR program in Bedell Flat.

**PREVIOUS ACTION**
None.

**FISCAL IMPACT**
If approved, the net fiscal impact to the RWMF will be neutral. The Fiscal Year 2019-2020 WRWC budget includes grant revenue in the amount of $40,000, which is adequate to offset the $40,000 in expenses budgeted for this Project. Budget authority is located in Fund Group 766, Fund 7066, Account Number 710100, Professional Services, Cost Object WP310204.

**RECOMMENDATION**
Staff recommends that the WRWC accept the Clean Water Act Grant from the State of Nevada, in the amount of $40,000; authorize the Chair to execute the Subgrant Agreement with NDEP; approve the proposed scope of work and funding, in an amount not to exceed $40,000 from the RWMF, for TMWA to continue the Project; authorize the Chair to enter into an interlocal agreement with TMWA for that purpose, and provide direction to staff, if any.

**POSSIBLE MOTION**
“Move to accept the Clean Water Act Grant from the State of Nevada, in the amount of $40,000; authorize the Chair to execute the Subgrant Agreement with NDEP; approve the proposed scope of work and funding, in an amount not to exceed $40,000 from the RWMF, for TMWA to continue the Project; and authorize the Chair to enter into an interlocal agreement with TMWA for that purpose.”

JS:jp

Attachments
SUBGRANT AGREEMENT
CONTROL #DEPS 19-005

A Subgrant awarded by:

Department of Conservation and Natural Resources, Division of Environmental Protection
901 S. Stewart Street, Carson City, NV 89701-5249
Phone: (775) 687-4670 Fax: (775) 687-5856

and awarded to Subgrantee:

Western Regional Water Commission
c/o Washoe County Community Services Department
PO BOX 11130
Reno, NV 89520
hereinafter the “Subgrantee”

WHEREAS, 40 CFR Part 31.37, NRS 445A.265 and NRS 445A.450 authorize the Division of Environmental Protection to award subgrants of federal financial assistance to local governments for the purposes set forth in authorizing statutes; and
WHEREAS, it is deemed that the project purposes hereinafter set forth are consistent with the federal grant agreement that provides support of the subgrant;
NOW, THEREFORE, in consideration of the aforesaid premises, the parties mutually agree as follows:

1. REQUIRED APPROVAL. This Subgrant shall not become effective until and unless approved by appropriate official action of the governing body of each party.

2. DEFINITIONS. “State” means the State of Nevada and any state agency identified herein, its officers, employees and immune contractors as defined in NRS 41.0307.

3. SUBGRANT TERM. This Subgrant shall be effective from Nevada Division of Environmental Protection Administrator’s Approval to June 30, 2021, unless sooner terminated by either party as set forth in this Subgrant.

4. TERMINATION. This Subgrant may be terminated by either party prior to the date set forth in paragraph (3), provided that a termination shall not be effective until 30 days after a party has served written notice upon the other party. This Subgrant may be terminated by mutual consent of both parties or unilaterally by either party without cause. The parties expressly agree that this Subgrant shall be terminated immediately if for any reason federal and/or State Legislature funding ability to satisfy this Subgrant is withdrawn, limited, or impaired.

5. NOTICE. All notices or other communications required or permitted to be given under this Subgrant shall be in writing and shall be deemed to have been duly given if delivered personally in hand, by telephonic facsimile with simultaneous regular mail, or mailed certified mail, return receipt requested, postage prepaid on the date posted, and addressed to the other party at the address set forth above.

6. INCORPORATED DOCUMENTS. The parties agree that the services to be performed shall be specifically described; this Subgrant incorporates the following attachments in descending order of constructive precedence:

ATTACHMENT: SCOPE OF WORK (consisting of 2 pages)
7. **CONSIDERATION.** Public Agency agrees to provide the services set forth in paragraph (6) at a cost of $N/A per N/A with the total Subgrant or installments payable: **quarterly**, not exceeding **$40,000.00**. Any intervening end to a biennial appropriation period shall be deemed an automatic renewal (not changing the overall Subgrant term) or a termination as the results of legislative appropriation may require.

8. **ASSENT.** The parties agree that the terms and conditions listed on incorporated attachments of this Subgrant are also specifically a part of this Subgrant and are limited only by their respective order of precedence and any limitations expressly provided.

9. **INSPECTION & AUDIT.**
   a. **Books and Records.** Each party agrees to keep and maintain under general accepted accounting principles full, true and complete records, agreements, books, and documents as are necessary to fully disclose to the State or United States Government, or their authorized representatives, upon audits or reviews, sufficient information to determine compliance with all state and federal regulations and statutes.
   b. **Inspection & Audit.** Each party agrees that the relevant books, records (written, electronic, computer related or otherwise), including but not limited to relevant accounting procedures and practices of the party, financial statements and supporting documentation, and documentation related to the work product shall be subject, at any reasonable time, to inspection, examination, review, audit, and copying at any office or location where such records may be found, with or without notice by the State Auditor, Employment Security, the Department of Administration, Budget Division, the Nevada State Attorney General's Office or its Fraud Control Units, the State Legislative Auditor, and with regard to any federal funding, the relevant federal agency, the Comptroller General, the General Accounting Office, the Office of the Inspector General, or any of their authorized representatives.
   c. **Period of Retention.** All books, records, reports, and statements relevant to this Subgrant must be retained a minimum three years from the date of final payment by the State to the Public Agency, and all other pending matters are closed. Retention time shall be extended when an audit is scheduled or in progress for a period reasonably necessary to complete an audit and/or to complete any administrative and judicial litigation which may ensue.

10. **BREACH: REMEDIES.** Failure of either party to perform any obligation of this Subgrant shall be deemed a breach. Except as otherwise provided for by law or this Subgrant, the rights and remedies of the parties shall not be exclusive and are in addition to any other rights and remedies provided by law or equity, including but not limited to actual damages. If the court awards reasonable attorney’s fees to the prevailing party, reasonable shall be deemed $125 per hour.

11. **LIMITED LIABILITY.** The parties will not waive and intend to assert available NRS chapter 41 liability limitations in all cases. Subgrant liability of both parties shall not be subject to punitive damages. Actual damages for any State breach shall never exceed the amount of funds which have been appropriated for payment under this Subgrant, but not yet paid, for the fiscal year budget in existence at the time of the breach.

12. **FORCE MAJEURE.** Neither party shall be deemed to be in violation of this Subgrant if it is prevented from performing any of its obligations hereunder due to strikes, failure of public transportation, civil or military authority, act of public enemy, accidents, fires, explosions, or acts of God, including, without limitation, earthquakes, floods, winds, or storms. In such an event the intervening cause must not be through the fault of the party asserting such an excuse, and the excused party is obligated to promptly perform in accordance with the terms of the Subgrant after the intervening cause ceases.

13. **INDEMNIFICATION.**
a. To the fullest extent of limited liability as set forth in paragraph (11) of this Subgrant, each party shall indemnify, hold harmless and defend, not excluding the other's right to participate, the other from and against all liability, claims, actions, damages, losses, and expenses, including but not limited to reasonable attorneys' fees and costs, arising out of any alleged negligent or willful acts or omissions of the party, its officers, employees and agents. Such obligation shall not be construed to negate, abridge, or otherwise reduce any other right or obligation of indemnity which would otherwise exist as to any party or person described in this paragraph.

b. The indemnification obligation under this paragraph is conditioned upon receipt of written notice by the indemnifying party within 30 days of the indemnified party’s actual notice of any actual or pending claim or cause of action. The indemnifying party shall not be liable to hold harmless any attorneys' fees and costs for the indemnnified party’s chosen right to participate with legal counsel.

14. INDEPENDENT PUBLIC AGENCIES. The parties are associated with each other only for the purposes and to the extent set forth in this Subgrant, and in respect to performance of services pursuant to this Subgrant, each party is and shall be a public agency separate and distinct from the other party and, subject only to the terms of this Subgrant, shall have the sole right to supervise, manage, operate, control, and direct performance of the details incident to its duties under this Subgrant. Nothing contained in this Subgrant shall be deemed or construed to create a partnership or joint venture, to create relationships of an employer-employee or principal-agent, or to otherwise create any liability for one agency whatsoever with respect to the indebtedness, liabilities, and obligations of the other agency or any other party.

15. WAIVER OF BREACH. Failure to declare a breach or the actual waiver of any particular breach of the Subgrant or its material or nonmaterial terms by either party shall not operate as a waiver by such party of any of its rights or remedies as to any other breach.

16. SEVERABILITY. If any provision contained in this Subgrant is held to be unenforceable by a court of law or equity, this Subgrant shall be construed as if such provision did not exist and the nonenforceability of such provision shall not be held to render any other provision or provisions of this Subgrant unenforceable.

17. ASSIGNMENT. Neither party shall assign, transfer or delegate any rights, obligations or duties under this Subgrant without the prior written consent of the other party.

18. OWNERSHIP OF PROPRIETARY INFORMATION. Unless otherwise provided by law any reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer code (which is intended to be consideration under this Subgrant), or any other documents or drawings, prepared or in the course of preparation by either party in performance of its obligations under this Subgrant shall be the joint property of both parties.

19. PUBLIC RECORDS. Pursuant to NRS 239.010, information or documents may be open to public inspection and copying. The parties will have the duty to disclose unless a particular record is made confidential by law or a common law balancing of interests.

20. CONFIDENTIALITY. Each party shall keep confidential all information, in whatever form, produced, prepared, observed or received by that party to the extent that such information is confidential by law or otherwise required by this Subgrant.

21. PROPER AUTHORITY. The parties hereto represent and warrant that the person executing this Subgrant on behalf of each party has full power and authority to enter into this Subgrant and that the parties are authorized by law to perform the services set forth in paragraph (6).
22. GOVERNING LAW: JURISDICTION. This Subgrant and the rights and obligations of the parties hereto shall be governed by, and construed according to, the laws of the State of Nevada. The parties consent to the jurisdiction of the Nevada district courts for enforcement of this Subgrant.

23. ENTIRE AGREEMENT AND MODIFICATION. This Subgrant and its integrated attachment(s) constitute the entire agreement of the parties and such are intended as a complete and exclusive statement of the promises, representations, negotiations, discussions, and other agreements that may have been made in connection with the subject matter hereof. Unless an integrated attachment to this Subgrant specifically displays a mutual intent to amend a particular part of this Subgrant, general conflicts in language between any such attachment and this Subgrant shall be construed consistent with the terms of this Subgrant. Unless otherwise expressly authorized by the terms of this Subgrant, no modification or amendment to this Subgrant shall be binding upon the parties unless the same is in writing and signed by the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Subgrant to be signed and intend to be legally bound thereby.

SUBGRANTEE

By: ________________________________
   Signature

Name: ______________________________

Title: ____________________________ Date: __________

DIVISION

By: ________________________________
   Signature

Name: Greg Lovato

Title: Administrator Date: __________
Attachment A
Scope of Work
And
Budget Attachment
Attachment A – Scope of Work

Bedell Flat Aquifer Storage and Recovery Investigation

Introduction

The 2007 Washoe County 208 Water Quality Management Plan contemplates a small number of long-term regional alternatives for the management of treated wastewater effluent. Alternatives include new and innovative treatment technology and aquifer recharge using highly treated effluent, also known as “advanced purified water”. A 2010 report entitled “Regional Integrated Wastewater System Planning”, funded in part by the Nevada Division of Environmental Protection’s (“NDEP”) 604(b) Water Quality Planning fund, identifies Bedell Flat as an area for possible aquifer storage or aquifer recharge using advanced purified water. This concept also appears in the 2011-2030 Comprehensive Regional Water Management Plan, and more recently in the Truckee Meadows Water Authority’s (“TMWA”) 2016-2035 Water Resource Plan, as a potential site for an integrated water resource aquifer storage and recovery (“ASR”) program.

The program would provide for the management of advanced purified water from one or more water reclamation facilities and enhance drought and/or emergency water reserves. Integrated water resource management alternatives in Bedell Flat include infiltration of advanced purified water through a proposed rapid infiltration basin (“RIB”) or along a natural drainage referred to as Bird Springs Drainage, injection of potable water using ASR wells and North Valley Importation Project (“NVIP”) water, or a combination of these. The Western Regional Water Commission (“WRWC”) has partnered with the City of Reno, Washoe County, and TMWA to assess the feasibility of an ASR program in Bedell Flat.

Proposal

Through these partnerships, and a 2017 grant from the WRWC, TMWA has initiated the ASR feasibility assessment. WRWC grant-funded work completed in 2018 and 2019 indicated that near-surface soils in the southwestern part of the basin are favorable for RIBs. Additional geologic and hydrogeologic investigations are planned for Fall 2019 to assess the infiltration capacity of deeper unsaturated zone soils, the occurrence, quality, and flow of groundwater, and the climatic variability in these areas. These assessments will be conducted through the installation of monitoring wells and a weather station.

This proposal is for the installation of a weather station and analysis of soil samples. Under this proposal, a weather station will be installed in southwest Bedell Flat to collect, store, and transmit data on air temperature, relative humidity, vapor pressure, barometric pressure, wind speed and direction, solar radiation, precipitation, lightning strike, and soil moisture. This information will be used to help predict storms for deployment of flow measurement devices in Bird Springs Drainage, the onset of melt from snow pack, infiltration of snow melt and precipitation into the soil, and evaporation due to temperature and solar radiation.

TMWA will construct ten monitoring wells in southwest Bedell Flat using the resonant sonic method to obtain high-quality lithologic information and reduce the impact to native soils. Under this proposal, approximately 10 to 20 soil samples from each borehole will be collected along the entire borehole length, focusing on the unsaturated zone. Soil samples will be collected from the borings using a split-
spoon sampler or other viable methodology, prior to monitoring well installation. Samples will be collected and prepared in the field and delivered to the Colorado State University soils lab for analyses. Soil samples will be analyzed for porosity, permeability, saturated hydraulic conductivity, and grain size distribution. This information will be used to determine the location and hydraulic properties of highly-conductive zones as well as low-conductivity zones to help estimate the storage capacity and connectivity of the unsaturated and saturated aquifers.

**Deliverables**

A brief technical memo describing the soil sample collection locations, conclusions drawn from the laboratory analyses, and the location and functionality of the weather station will be submitted to the WRWC and NDEP upon completion.

**Estimated Project Budget**

The total project costs are estimated at $260,000 for 1) weather station purchase and installation (includes installation assistance and programming from the USGS as shown in the table below) and 2) soil sample collection and analyses (includes the construction of monitoring wells as shown in the table below). The 604(b) grant funds will cover $40,000 of the total costs.

The cost estimate assumes no additional parts or components for the weather station, as quoted and that 10-20 soil samples will be collected and analyzed at approximately $175/sample.

TMWA will submit invoices to WRWC for reimbursement up to $40,000. Following this, WRWC will submit an invoice and other required documentation to the NDEP for reimbursement.

**Table 1. Budget Summary**

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Project</th>
<th>604(b) Contribution</th>
<th>Local Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weather Station</td>
<td>$7,000</td>
<td>$5,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Weather Station Install (USGS)</td>
<td>$3,000</td>
<td>$0</td>
<td>$3,000</td>
</tr>
<tr>
<td>Monitoring Well Installation</td>
<td>$215,000</td>
<td>$0</td>
<td>$215,000</td>
</tr>
<tr>
<td>Soil Sample Lab Analyses</td>
<td>$35,000</td>
<td>$35,000</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$260,000</strong></td>
<td><strong>$40,000</strong></td>
<td><strong>$220,000</strong></td>
</tr>
</tbody>
</table>
Attachment B
Additional Agency Terms & Conditions
Attachment
1. For contracts utilizing federal funds, the Nevada Division of Environmental Protection (NDEP) shall pay no more compensation per individual (including any subcontractors) than the federal Executive Service Level 4 (U.S. Code) daily rate (exclusive of fringe benefits): This limitation applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate. The current Level 4 rate is $78.94 per hour.

2. **NDEP shall only reimburse the Contractor for actual cash disbursed.** Invoices may be provided via email or facsimile and must be received by NDEP no later than forty (40) calendar days after the end of a month or quarter except:

   - at the end of the fiscal year of the State of Nevada (June 30th), at which time invoices must be received by the first Friday in August of the same calendar year;
   - at the expiration date of the grant, or the effective date of the revocation of the contract, at which times original invoices must be received by NDEP no later than thirty-five (35) calendar days after this date.

Failure of the Contractor to submit billings according to the prescribed timeframes authorizes NDEP, in its sole discretion, to collect or withhold a penalty of ten percent (10%) of the amount being requested for each week or portion of a week that the billing is late. The Contractor shall provide with each invoice a detailed fiscal summary that includes the approved contract budget, expenditures for the current period, cumulative expenditures to date, and balance remaining for each budget category. If match is required pursuant to paragraph 3 below, a similar fiscal summary of match expenditures must accompany each invoice. The Contractor shall obtain prior approval to transfer funds between budget categories if the funds to be transferred are greater than ten percent (10%) cumulative of the total Contract amount.

3. If match is required, the Contractor shall, as part of its approved Scope of Work or Workplan and budget under this Contract, provide third party match funds of not less than: $____. If match funds are required, the Contractor shall comply with additional record-keeping requirements as specified in 48 CFR 31.2 (which, if applicable, is attached hereto and by this reference is incorporated herein and made part of this contract).

4. Unless otherwise provided in the Scope of Work or Workplan, the Contractor shall submit quarterly reports or other deliverables within ten (10) calendar days after the end of each quarter.

5. At the sole discretion of NDEP, payments will not be made by NDEP unless all required reports or deliverables have been submitted to and approved by NDEP within the Scope of Work/Workplan agreed to.

6. Any funds obligated by NDEP under this Contract that are not expended by the Contractor shall automatically revert back to NDEP upon the completion, termination or cancellation of this Contract. NDEP shall not have any obligation to re-award or to provide, in any manner, such unexpended funds to the Contractor. The Contractor shall have no claim of any sort to such unexpended funds.

7. For contracts utilizing federal funds, the Contractor shall ensure, to the fullest extent possible, that at least the “fair share” percentages as stated below for prime contracts for construction, services, supplies or equipment are made available to Disadvantaged Business Enterprise (DBE) organizations owned or controlled by Minority Business Enterprise (MBE) or (Women Business Enterprise (WBE)).
The Contractor agrees and is required to utilize the following seven affirmative steps:

a. Include in its bid documents applicable “fair share” percentages as stated above and require all of its prime contractors to include in their bid documents for subcontracts the “fair share” percentages;
b. Include qualified MBEs and WBEs on solicitation lists;
c. Assure that MBEs, and WBEs are solicited whenever they are potential sources;
d. Divide total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of MBEs, and WBEs;
e. Establish delivery schedules, where the requirements of the work permit, which will encourage participation by MBEs, and WBEs;
f. Use the services and assistance of the Small Business Administration and the Minority Business Development Agency, U.S. Department of commerce as appropriate; and
g. If a subcontractor awards contracts/procurements, require the subcontractor to take the affirmative steps in subparagraphs a. through e. of this condition.

8. The Contractor shall complete and submit to NDEP a Minority Business Enterprise/Woman Business Enterprise (MBE/WBE) Utilization Report (EPA Form 5700-52A) within fifteen (15) calendar days after the end of each federal fiscal year (September 30th) for each year this Contract is in effect and within fifteen (15) calendar days after the termination date of this Contract.

9. Unless otherwise provided in the Scope of Work or Workplan, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with funds provided under this Contract, the Contractor shall clearly state that funding for the project or program was provided by the Nevada Division of Environmental Protection and, if applicable, the U.S. Environmental Protection Agency. The Contractor will ensure that NDEP is given credit in all approved official publications relative to this specific project and that the content of such publications will be coordinated with NDEP prior to being published.

10. Unless otherwise provided in the Scope of Work or Workplan, all property purchased with funds provided pursuant to this Contract is the property of NDEP and shall, if NDEP elects within four (4) years after the completion, termination or cancellation of this Contract or after the conclusion of the use of the property for the purposes of this Contract during its term, be returned to NDEP at the Contractor’s expense. Such property includes but is not limited to vehicles, computers, software, modems, calculators, radios, and analytical and safety equipment. The Contractor shall use all purchased property in accordance with local, state and federal law, and shall use the property only for Contract purposes unless otherwise agreed to in writing by NDEP.

For any unauthorized use of such property by the Contractor, NDEP may elect to terminate the Contract and to have the property immediately returned to NDEP by the Contractor at the Contractor’s expense. To the extent authorized by law, the Contractor shall indemnify and save and hold the State of Nevada and NDEP harmless from any and all claims, causes of action or liability arising from any use or custody of the property by the Contractor or the Contractor’s agents or employees or any subcontractor or their agents or employees.

11. The Contractor shall use recycled paper for all reports that are prepared as part of this Contract and delivered to NDEP. This requirement does not apply to standard forms.
12. The Contractor and any subcontractors shall obtain any necessary permission needed, before entering private or public property, to conduct activities related to the Scope of Work or Workplan. The property owner will be informed of the program, the type of data to be gathered, and the reason for the requested access to the property.

13. Nothing in this Contract shall be construed as a waiver of sovereign immunity by the State of Nevada. Any action brought to enforce this contract shall be brought in the First Judicial District Court of the State of Nevada. The Contractor and any of its subcontractors shall comply with all applicable local, state and federal laws in carrying out the obligations of this Contract, including all federal and state accounting procedures and requirements established in 2 CFR 1500 EPA Uniform Administrative Requirements, Cost Principles, and audit requirements for federal awards. The Contractor and any of its subcontractors shall also comply with the following:
   a. 40 CFR Part 7 - Nondiscrimination In Programs Receiving Federal Assistance From EPA
   c. 40 CFR Part 31 - Uniform Administrative Requirements For Grants And Cooperative Agreements To State and Local Governments;
   d. 40 CFR Part 32 – Government-wide Debarment And Suspension (Non-procurement) And Government-wide Requirements For Drug-Free Workplace (Grants);
   e. 40 CFR Part 34 - Lobbying Activities;
   f. 40 CFR Part 35, Subpart O - Cooperative Agreements And Superfund State Contracts For Superfund Response Actions (Superfund Only); and
   g. The Hotel and Motel Fire Safety Act of 1990.
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019

TO: Chair and Members, Western Regional Water Commission (“WRWC”)

FROM: Jim Smitherman, WRWC Water Resources Program Manager

SUBJECT: Discussion and possible direction to staff regarding the appointment or reappointment of two voting members to the Northern Nevada Water Planning Commission (“NNWPC”) for a term of three years (April 1, 2019 through March 31, 2022): a public at large member to represent environmental, biological, conservation or public concerns; and, a member to represent owners of domestic wells.

SUMMARY
Chapter 531, Statutes of Nevada 2007, the Western Regional Water Commission Act (the “Act”), Section 36, requires the WRWC to appoint two voting members to the NNWPC: one public at large member to represent environmental, biological, conservation or public concerns, and one member to represent domestic well owners. The positions had initial terms of two years and subsequent terms of three years. Both terms expired on April 1, 2019.

PREVIOUS ACTION AND BACKGROUND
On April 11, 2008, the WRWC appointed Michael DeMartini as the member to represent domestic well owners. In addition, on October 9, 2009, the WRWC appointed Mickey Hazelwood as the public at large member to fill a vacancy for the remainder of the unexpired term. Both appointments were renewed by the WRWC in May 2010, September 2013 and May 2016.

Both Mr. DeMartini and Mr. Hazelwood have indicated to staff that they are willing and able to serve another term. Section 36(2) of the Act states that a member may be reappointed.

On October 8, 2019, staff received an email and curriculum vitae from Michael Widmer, a local hydrogeologist and domestic well owner, requesting that he be considered for appointment to the NNWPC seat representing domestic well owners. Both Mr. Widmer and Mr. DeMartini meet all requirements for appointment to the NNWPC under Section 36 (Nevada residency) and Section 38 (professional experience) of the Act.
FISCAL IMPACT
None

RECOMMENDATION
Under the circumstances explained above, staff recommends that the WRWC provide specific direction as to how to proceed at this point. Options include, but are not limited to: reappointment of either or both Mr. DeMartini and Mr. Hazelwood to their prior positions; appointment of Mr. Widmer to replace Mr. DeMartini; or, directing staff to solicit applications from qualified candidates for either or both vacancies.

POSSIBLE MOTION
“Move to direct staff to take the following action…[as desired by the WRWC]”.

JS:jp
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019
TO: Chair and Members, Western Regional Water Commission ("WRWC")
FROM: John B. Rhodes, WRWC Legal Counsel
SUBJECT: Discussion and possible adoption of Resolution No. 7, establishing a policy restricting expenditures from the Regional Water Management Fund ("RWMF") to pay for construction projects, and providing for certain exceptions thereto; and possible direction to staff.

SUMMARY
At a concurrent meeting of the Northern Nevada Water Planning Commission ("NNWPC") and the WRWC, held March 20, 2019, the NNWPC recommended that the WRWC Board develop and adopt a policy which would restrict or prohibit the use of the RWMF to pay for construction projects. At the March 20, 2019 concurrent meeting, the WRWC Board, by motion approved unanimously, directed staff to move forward with the NNWPC recommendation, while allowing the WRWC to fund certain construction projects under certain circumstances.

BACKGROUND
Section 35(1), Statutes of Nevada 2007, the Western Regional Water Commission Act (the "Act") provides authority for the WRWC Board to impose a fee to fund the planning and administration required by the Act, and the "implementation of the Comprehensive [Regional Water Management] Plan." (Emphasis added.) WRWC Resolution No 1, adopted May 16, 2008, imposed the authorized fee and created the RWMF.

Since creation of the RWMF, the WRWC has, through custom and practice, with few and limited exceptions, followed a general de facto policy of declining to pay for construction projects with the RWMF, even though such projects may directly relate to or assist in the implementation of the Plan.

PREVIOUS ACTION
None

FISCAL IMPACT
None

RECOMMENDATION
Staff recommends that the WRWC approve attached Resolution No. 7, adopting the WRWC de facto general policy that the RWMF shall not used to fund construction projects; provided, however, that the RWMF may be used to pay for certain construction projects, if the WRWC Board makes both of the following findings; 1) the construction project directly relates to or will
assist in the implementation of the Plan; and 2) an emergency, critical need, or other extraordinary circumstances require the use of the RWMF for the proposed purpose.

**POSSIBLE MOTION**
“Move to approve and adopt Resolution No. 7.”

Attachment: Resolution No. 7
WESTERN REGIONAL WATER COMMISSION

RESOLUTION NO. 7

A RESOLUTION ESTABLISHING A POLICY RESTRICTING EXPENDITURES FROM THE REGIONAL WATER MANAGEMENT FUND (“RMWF”) TO PAY FOR CONSTRUCTION PROJECTS, AND PROVIDING FOR CERTAIN EXCEPTIONS THERETO

WHEREAS, Section 35(1), Statutes of Nevada 2007, the Western Regional Water Commission Act (the “Act”) provides authority for the Western Regional Water Commission ("WRWC") Board of Trustees (Board”) to impose a fee to fund the planning and administration required by the Act, and the “implementation of the Comprehensive [Regional Water Management] Plan.” (Emphasis added.); and

WHEREAS, WRWC Resolution No 1, adopted May 16, 2008, imposed the authorized fee and created the RWMF; and

WHEREAS, since creation of the RWMF, the WRWC has, through custom and practice, with few and limited exceptions, followed a general de facto policy of declining to pay for construction projects with the RWMF, even though such projects may directly relate to or assist in the implementation of the Plan; and

WHEREAS, at a concurrent meeting of the Northern Nevada Water Planning Commission ("NNWPC") and the WRWC, held March 20, 2019, the NNWPC recommended that the WRWC Board develop and adopt a policy which would restrict or prohibit the use of the RWMF to pay for construction projects; and

WHEREAS, at the March 20, 2019 concurrent meeting, the WRWC Board, by motion approved unanimously, directed staff to move forward with the NNWPC recommendation, while allowing the WRWC to fund certain construction projects under certain circumstances.

NOW, THEREFORE, IT IS RESOLVED that the WRWC de facto general policy that the RWMF shall not used to fund construction projects be, and is hereby, adopted and approved;

PROVIDED, HOWEVER, that the RWMF may be used to pay for certain construction projects, if the WRWC Board makes both of the following findings: 1) the construction project directly relates to or will assist in the implementation of the Plan; and 2) an emergency, critical need, or other extraordinary circumstances require the use of the RWMF for the proposed purpose.
WESTERN REGIONAL WATER COMMISSION

RESOLUTION NO. 7, PAGE 2

Upon motion of ____________________, seconded by ________________, the foregoing Resolution was approved and adopted October 16, 2019, by the following vote of the Board of Trustees:

Ayes:  ___________________________________________________________

Nays:  ___________________________________________________________

Abstain:  _______________________  Absent:  _________________________

_______________________
Chair, WRWC Board

STATE OF NEVADA

COUNTY OF WASHOE

On the ___the day of October, 2019, personally appeared before me, a Notary Public, Vaughn Hartung, known to me to be the Chair of the Board of Trustees of the Western Regional Water Commission, who acknowledged that he executed the foregoing Resolution.

________________________________________
Notary Public
Western Regional Water Commission

STAFF REPORT

DATE: October 10, 2019

TO: Chair and Members, Western Regional Water Commission (“WRWC”)

FROM: Jim Smitherman, WRWC Water Resources Program Manager

SUBJECT: Discussion and possible approval of a Letter of Engagement for McDonald Carano LLP to provide legal services for the WRWC and the Northern Nevada Water Planning Commission (“NNWPC”); if approved, authorize the Chair to execute the Letter; and possible direction to staff.

SUMMARY
On June 19, 2019, the WRWC received brief presentations from representatives of law firms that responded to a Request for Qualifications (“RFQ”) and Proposals (“RFP”) to provide legal services for the WRWC and the NNWPC. Immediately following the presentations the WRWC conducted a selection procedure and produced a ranked list of three firms. Staff was directed to approve the proposals from the top three ranked firms and negotiate a final agreement with the number one ranked firm, McDonald Carano LLP. If staff and McDonald Carano LLP were unable to reach agreement, staff was directed to negotiate with the number two ranked firm, and so forth.

McDonald Carano LLP and staff successfully negotiated a final proposed agreement. The attached Letter of Engagement from McDonald Carano LLP is submitted to the WRWC for consideration and possible approval.

BACKGROUND
A Notice to Attorneys concerning the RFQ/RFP, and Legal Counsel Position Scope of Work was published in the Reno Gazette Journal on April 24 and May 1, 2019, and in the Washoe County Bar Association monthly newsletter, the “Writ”, on April 30, 2019. The Notice was also posted on the Washoe County Bar Association’s website in the classifieds section. Responses were due by May 31, 2019.

Eight responses to the RFQ/RFP were received from the law firms or individuals listed below.

- Benson Law, LLC
- Brownstein Hyatt Farber Schreck, LLP
- Dickinson Wright PLLC
- Hutchinson & Steffen, LLC
- Kaempfer Crowell
- Leonard Law, PC
- McDonald Carano LLP
- Ryan J. McElhinney, Esq.
PREVIOUS ACTION
On June 19, 2019, the WRWC directed staff to negotiate a final agreement with McDonald Carano LLP to provide legal services for the WRWC and NNWPC, and if unsuccessful, negotiate with the next highest ranked firm, and so forth.

FISCAL IMPACT
The fiscal impact to the WRWC budget will be $81,000 ($6,750 per month) for the initial one-year term. Budget authority is located in Fund Group 766, Fund 7066, Account Number 710139, Professional Services, Cost Object WP310705.1

RECOMMENDATION
Staff recommends that the WRWC approve the Letter of Engagement from McDonald Carano LLP, authorize the Chair to execute the Letter, and provide any appropriate direction to staff.

POSSIBLE MOTION
“Move to approve the Letter of Engagement from McDonald Carano LLP and authorize the Chair to execute the Letter.”

JS:jp
Attachment
August 28, 2019

Western Regional Water Commission and
Northern Nevada Water Planning Commission
Attn: Jim Smitherman, Program Manager
1001 East Ninth Street
Reno, NV 89512

Re: Engagement of McDonald Carano LLP

Dear Jim:

We are pleased that Western Regional Water Commission and Northern Nevada Water Planning Commission (collectively “Commission”) has decided to engage McDonald Carano LLP (“the Firm”) to represent it with respect to Nevada law matters described below. Experience has shown the attorney client relationship works best when there is a formal, mutual understanding about fees, payment terms and the scope of services to be provided. This letter constitutes the agreement relating to the services our firm has agreed to provide. The terms and conditions of our engagement are as follows:

I. Scope of Engagement

The scope of the Firm’s engagement (the “Engagement”) involves representing the Commission as outside general counsel and in-session State legislative lobbying on all Nevada matters as more fully described in the Scope of Services attachment to this letter (the “Included Services”). If you request our assistance with any litigation, we may also request a separate engagement letter for such work. The Included Services to be provided by the Firm in connection with the Engagement will encompass all services normally and reasonably associated with this type of Engagement that the Firm is requested and able to provide and that are consistent with its ethical obligations. Any services not included within Included Services, including litigation, shall be deemed Additional Services.
II. Personnel

Michael Pagni will be principally responsible for and actively involved in the Engagement, and we anticipate Josh Hicks, Laura Jacobsen, Mat Trachok, Phil Mannelly and Kelci Binau will be principally responsible for and actively involved in the Engagement. Additional lawyers or paralegals may be involved as needed.

III. Monthly Retainer, Fees and Expenses

The Included Services described in the attachment will be provided by the Firm for a monthly retainer of $6,750 per month, plus costs, with a detailed monthly invoice provided. The Additional Services will be provided by the Firm but are not included in the monthly retainer amount and will be billed to Commission at our standard rates, but with 20% discount applied.

Our firm has always operated on the basis that we will deliver the best possible legal services in a timely fashion and at a reasonable price; in return, we request that upon receipt of our statements, you review the statements at that time to determine if you have any questions or comments regarding them. If so, please call us.

IV. Conflict Waivers and Related Matters.

Attorneys owe duties of loyalty and of confidentiality to their clients. It is unavoidable that, from time to time, conflicts of interest develop between or among our clients, or between clients, or former clients, and prospective clients we wish to represent. In these circumstances, we are required, if we are authorized to do so, to disclose the conflicts to our clients, former clients and prospective clients and consult with them and to obtain the clients’ or former clients’ consents before we may proceed.

The Firm represents a broad base of clients on a variety of matters, including the Truckee Meadows Water Authority. Absent an effective conflicts waiver, conflicts of interest may arise that could adversely affect your ability and the ability of other clients to choose the Firm as its counsel and preclude the Firm from representing you or other clients in pending or future matters. Given that possibility, and desiring to be fair both to you and other clients, this letter will confirm our mutual agreement that the Firm may represent other present or future clients (including TMWA) on matters other than those for which it had been or is then engaged by you, including litigation, legal or other proceedings or matters (referred to as “Permitted Representation”). You agree that you will not assert the Firm’s representation of you as a basis for disqualifying the Firm from representing
another party in any Permitted Representation and agree that any Permitted Representation does not constitute a breach of duty.

If Commission becomes directly adverse to a client of the Firm in a specific matter, the Firm will recuse from representing either party absent special circumstances. We recognize that from time to time, Commission may desire to engage in transactions with clients of the Firm. Because of our institutional knowledge with some clients, it may be desirable in some circumstances for our Firm to either jointly represent the parties to facilitate the transaction or it may be desirable for one party to retain separate counsel for the transaction while our Firm continues to represent the other party. In these circumstances, we will consult with you in advance on whether our firm can (or should) engage in a joint representation on the matter, or whether conflict counsel should be retained by Commission or the other party and will secure written conflict waivers if and when appropriate. We further agree in any matter in which our Firm is retained in a joint representation or where Commission retains separate conflict counsel so that we may continue to represent an existing client, if any litigation arises between Commission and such client in connection with that Commission transaction, the Firm would decline any request to represent either party in such litigation.

Based upon the disclosure of the names of persons and entities potentially involved in this matter, we have not discovered any conflict which requires further action before undertaking our representation. Please advise us, at or before the time you return the signed copy of this letter, if you know of any other individuals or entities which may be involved in this matter. In addition, please inform us at once if you learn in the future of other persons or entities who may be involved so we can make a conflict of interest search with respect to them.

V. **Other Terms.**

The general terms and conditions of our representation are set forth in the attached schedule of General Terms and Conditions, which are incorporated into this agreement by reference. If this letter is satisfactory, please confirm your agreement to the terms of this engagement letter and attached schedule by signing this letter and returning it to us in the enclosed envelope. A copy is for your records. If this letter does not accurately reflect your understanding of the terms of our agreement, please call me promptly so that we may discuss it further.
We recognize that you have the opportunity to obtain services from other firms, and very much appreciate that you have chosen our Firm. We will endeavor to represent you promptly and efficiently, and look forward to the opportunity of working with you.

Sincerely yours,

DRAFT
Michael A.T. Pagni, Esq.
CLIENT’S AGREEMENT TO TERMS AND CONDITIONS OF REPRESENTATION

I hereby acknowledge that I have had an adequate opportunity to review and understand the above engagement letter and accompanying schedule of terms and conditions, and that I am duly authorized by Western Regional Water Commission and Northern Nevada Water Planning Commission as its __________________________, to bind it and execute this Agreement on its behalf. I further acknowledge that I have had the opportunity to consult with counsel of my own choosing prior to executing it. Therefore, on behalf of Western Regional Water Commission and Northern Nevada Water Planning Commission, I agree to be legally bound by the terms, limitations and conditions set forth therein.

DRAFT

Date:______________, 2019.

______________________________
By:

Its:
GENERAL TERMS AND CONDITIONS OF ENGAGEMENT

A. **Engagement:** Western Regional Water Commission and Northern Nevada Water Planning Commission

B. **Monthly Retainer (Included Services)**

$6,750 per month, plus costs.

C. **Standard Hourly Rates For Personnel (Additional Services)**

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner, Michael A. T. Pagni</td>
<td>$325.00</td>
</tr>
<tr>
<td>Partner, Josh Hicks</td>
<td>$400.00</td>
</tr>
<tr>
<td>Associate, Laura Jacobsen</td>
<td>$275.00</td>
</tr>
<tr>
<td>Associate, Mat Trachok</td>
<td>$250.00</td>
</tr>
<tr>
<td>Associate, Philip Mannelly</td>
<td>$250.00</td>
</tr>
<tr>
<td>Associate, Kelci S. Binau</td>
<td>$225.00</td>
</tr>
</tbody>
</table>

**Others:**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners</td>
<td>$300.00 to $450.00 per hour</td>
</tr>
<tr>
<td>Associates</td>
<td>$170.00 to $275.00 per hour</td>
</tr>
<tr>
<td>Law Clerks</td>
<td>$150.00 per hour</td>
</tr>
<tr>
<td>Paralegals</td>
<td>$110.00 to 150.00 per hour</td>
</tr>
<tr>
<td>Government Affairs Team</td>
<td>$225.00 to $275.00 per hour</td>
</tr>
</tbody>
</table>

Additional Services will be billed with a 20% discount off standard hourly rates. Whenever appropriate and consistent with the proper representation of our clients, we use paralegals, investigators, junior attorneys and staff members in order to minimize the impact of the hourly rates of more senior attorneys.

D. **Billing Increments:** We charge for our time in minimum units of 1/10 hours for Additional Services.

E. **Costs and Expenses.**

<table>
<thead>
<tr>
<th>Category</th>
<th>Rate</th>
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<tbody>
<tr>
<td>In-office photocopying</td>
<td>$ .25 per page</td>
</tr>
<tr>
<td>Mileage</td>
<td>$ .58 per mile</td>
</tr>
<tr>
<td>Computerized legal research</td>
<td>$5.00 per minute</td>
</tr>
</tbody>
</table>
Clerical staff overtime necessary for extraordinary matters will be charged at 1.5 times the base hourly rate. The base hourly rates for clerical personnel presently range between $15.00 and $20.00.

F. Billing Statements; Carrying Charges. Our billing statements will normally be rendered to you on a monthly basis. Fees will generally be billed within thirty (30) days following the month in which the services are rendered, and disbursements and other charges will generally be billed within thirty (30) to sixty (60) days after they are incurred by us. Payment is due upon your receipt of our statement and is not contingent upon the outcome or completion of a matter for which the firm has been engaged. The Firm does not extend credit to clients. If fees are not paid promptly (within 30 days of the date of invoice), a carrying charge of 1.5% per month (subject to adjustment from time to time as indicated in our billing statements) on the unpaid balance of the statement from the date of invoice. Payments will be accepted by cash, check, money order, bank draft, wire transfer and credit card.

G. IOLTA Participation. We will maintain and safeguard a trust account from which any interest earnings are forwarded to the IOLTA program run by the Nevada Law Foundation. Any interest earned on your trust fund balance will be forwarded to the program.

H. Rates Subject to Change. The rates on this schedule are subject to change on thirty (30) days written notice. If you decline to pay any increased rates, we reserve the right to withdraw.

I. No Guarantees. We must emphasize that it is impossible to provide any promise or guarantee about the outcome of your representation. Nothing in this Agreement or any statements by our staff or attorneys constitute a promise or guarantee. Any comments about the outcome of your matter are expressions of opinion only.

J. Communication. During the course of our representation, we will endeavor to keep you fully advised as to the status and progress of this matter and our recommendations as to an appropriate course of action in view of the facts, circumstances and issues involved. We will send copies of all material documents generated in connection with our representation, and I ask that you call me, at any time, should you wish to discuss the matter, our invoices or bills, or any other aspect of this representation. If, for some reason, I am not available, another attorney in this office will generally be available and familiar with the matter sufficiently to consult with you as desired. You agree that all means of
communication are, to some degree, susceptible to misdirection, delay or interception, and E-mail, facsimile transmissions and cellular telephone communications present special risks of inadvertent disclosure. However, in order to maximize speed, efficiency, and convenience of these methods of communication in this matter, you consent to our use of E-mail, cellular phones, and facsimile transmissions communications in representing you in this matter.

K. **Fees Disputes.** Under Nevada law, you have the right, if you desire, to request arbitration of any fee dispute before a committee selected by the State Bar known as a “fee dispute” committee (“Bar Arbitration”). By signing this engagement letter, you and we agree to submit any fee dispute in this matter to that Bar Arbitration, and if such Bar Arbitration is conducted, they shall determine only the issue of the amount of fees and charges properly chargeable to you, if any, and such Bar Arbitration thereafter shall have no effect on the provisions set forth above which require arbitration before a retired judge or justice of any claims for affirmative relief based on alleged professional malpractice, errors or omissions, breach of contract, breach of fiduciary duty, fraud or violation of any statute. Any such claims shall be solely determined in an arbitration proceeding by a retired judge or justice without regard to the result of any Bar Arbitration.

L. **Records and File Retention.** All records and filed will be retained and disposed of in compliance with our policy in effect from time to time. Subject to future changes, it is our current policy not to retain records for more than seven (7) years from the date the matter is opened. Upon prior written request, we will return records to you prior to destruction. As it is not administratively feasible to advise you of record disposal, we recommend you maintain your own files for reference. If you have any questions concerning record retention, please contact us.

M. **Your Responsibilities.** You agree to cooperate with us, to keep us informed of all developments material to the Engagement (especially communication to or from other legal counsel, material undertakings, and agreements), to communicate and disclose fully all relevant matters relevant to our Engagement, to abide by this agreement, and to advise the firm concerning any disputed fee or cost charged in this matter. Our firm will rely upon materials and matters provided and communicated to us by you, your agents, and other representatives, as well as your representations to us that arise during the course of our representation of you in this matter. The firm undertakes no obligation or duty of independent inquiry to confirm or verify such representations and matters. It is extremely important that you provide us with complete and accurate information on a timely basis since our representation, analysis and advice to you will be based upon such information, and could change if factual circumstances are different.
N. **Termination.** A client has a right at any time to terminate our services and representation upon written notice to the Firm, and we may also terminate our services upon written notice. You remain liable for all unpaid charges for services provided and expenses advanced or incurred prior to the date of termination or withdrawal. If you do not meet your obligation of timely payments or deposits under this engagement letter, we reserve the right to withdraw from your representation on that basis alone, subject to any required judicial, administrative, or other approvals. In the event of termination, you agree to take all steps necessary to free us of any obligation to perform further, including the execution of any documents (including forms for substitution of counsel) necessary to complete our withdrawal. In addition, our representation will end at the earliest of (a) your termination of our representation; (b) our withdrawal or termination; or (c) unless we are engaged to represent you in other matters, upon substantial completion of our work on the Engagement whether or not we send you a letter to confirm the termination of our representation.

O. **MERITAS.** Our firm is a member of MERITAS (“Meritas”) which is a network of over 185 independent commercial law firms located in major cities throughout the world. Meritas members are not engaged in the joint practice of law and do not share fees among themselves. Membership in Meritas gives us, and our clients, access to legal resources in other jurisdictions so that our clients' need for legal services can be handled virtually anywhere our clients conduct business. We will only utilize the services of another Meritas firm in this matter with your express knowledge and consent. Further information about Meritas can be obtained at the organization's website at [www.meritas.org](http://www.meritas.org).

P. **Governmental Affairs.** In addition to the services already set forth in this engagement letter, the Firm may need to utilize the expertise of our Governmental Affairs Team to advance the objectives of your engagement with the Firm. Be advised that prior to requesting assistance from the Governmental Affairs Team you will be counseled as to why this is necessary and/or advisable and be given an opportunity to elect their services. The fee for the members of our Governmental Affairs Team is included above.

Q. **Written Advices Regarding Federal Tax Issues.** Whenever we provide you with written advice concerning the federal tax treatment of an item of income, gain, loss, deduction or credit, the existence or absence of a taxable transfer property, or the value of property for federal tax purposes, we are subject to stringent requirements imposed by the United States Treasury Department on all tax practitioners, including attorneys. These rules cover much more than formal legal opinions and may apply to any writing relating to any Internal Revenue code matter, including communications via e-mail and fax. If we fail
to comply with these rules, we may (under certain circumstances) be suspended or disbarred from practice before the Internal Revenue Service, be publicly censured or fined (to the extent that the Secretary of Treasury promulgates regulations requiring any such fines or penalties). Therefore, if during the course of this engagement, we provide written advice regarding any arrangement the principal purpose of which is the avoidance or evasion of any tax imposed by the Internal Revenue Code, such writing must comply with the rigorous standards of review and disclosure (including enhanced factual and legal due diligence) which are now required by the Treasury Department. If tax avoidance is not the principal purpose of an arrangement but is a significant purpose, our written advice must also adhere to the same rules, unless we include a prominent disclosure stating that the writing was not intended or written by us to be used, and it cannot be used by you or anyone else for the purpose of avoiding taxpayer penalties. It is for this reason that certain written communications to you, including emails and faxes, will contain the following disclosure statement: “Any Federal tax advice contained herein is not intended or written to be used, and cannot be used by you or any other person, for the purpose of avoiding any penalties that may be imposed by the Internal Revenue Code. This disclosure is made in accordance with the rules of Treasury Department Circular 230 governing standards of practice before the Internal Revenue Service. Any written statement contained herein relating to any Federal tax transaction or matter may not be used by any person without our express prior written permission to support the promotion or marketing of or to recommend any Federal tax transaction(s) or matter(s) addressed herein. No advice contained herein may be relied upon or utilized by any person for any purpose except as expressly and affirmatively stated herein without the prior written consent in each instance of a partner of this firm.”

R. Miscellaneous. This Agreement is governed by Nevada law and sets forth our entire agreement for rendering professional services. It can be amended or modified only in writing. Each party signing below is jointly and severally responsible for all obligations due us and represents that each has full authority to execute this Agreement so that it is binding. This Agreement may be signed in one or more counterparts and binds each party signing it whether or not any other proposed signatory ever executes it. If any provision of this Agreement or the application thereof is held invalid or unenforceable, the invalidity or unenforceability shall not affect other provisions or applications of this Agreement which can be given effect without such provisions or application, and to this end the provisions of this Agreement are declared to be severable. We are not advising you with respect to this Agreement because we would have a conflict of interest in doing so. If you wish advice, you should consult independent counsel of your choice.
SCOPE OF SERVICES

Scope of Included Services to be provided to the Western Regional Water Commission (“WRWC”) and its advisory body, the Northern Nevada Water Planning Commission (“NNWPC”) consist of the following:

1. Work with staff to ensure that all meeting agendas, staff reports and minutes comply with Nevada Open Meeting Law and other legal requirements.

2. Provide legal representation at all public meetings of the WRWC, and its subcommittees, and the NNWPC.

3. Attend all WRWC Staff Working Group meetings to ensure Open Meeting Law compliance, provide advice on the propriety of proposed actions and future WRWC agenda items, and legal documentation required for implementation.

4. Evaluate the legal propriety of proposed expenditures from the Regional Water Management Fund.

5. Draft legal documents such as interlocal agreements and contracts with planning consultants, other service providers, and independent contractors; confirming that consultants, other service providers, and independent contractors are adequately insured, and in compliance with state and local licensing and workers compensation requirements.

6. Address specific Open Meeting Law and other statutory compliance issues.

7. Coordinate and collaborate with legal counsel and staff for local and regional agencies, such as Reno, Sparks, Washoe County, Truckee Meadows Water Authority (“TMWA”) and the Truckee Meadows Regional Planning Agency (“TMRPA”) on legal issues involving both water resources planning and land use planning, and continuing required five-year updates of the Regional Water Management Plan.

8. Assess potential liability from a risk management perspective, and provide advice on and recommendations for risk reduction measures.

9. Provide an annual written report to the WRWC’s financial auditors regarding pending or threatened litigation, claims or assessments.

10. Advise/represent the WRWC and the NNWPC on federal, state, and local legislative issues.
11. Provide services as a registered lobbyist at the Nevada Legislature, track relevant pending bill draft requests and pending legislation during legislative sessions, and provide continuing updates on those matters to the WRWC and NNWPC.

12. Provide continuing statutory review to assure that both the WRWC and the NNWPC comply, at all times, with all mandates and provisions of the Western Regional Water Commission Act, Chapter 531, Statutes of Nevada 2007, and all other state and local laws and requirements.

13. Develop, prepare, and present legal issues that may require appearances before local governing bodies, and state administrative agencies.