



STAFF REPORT

TO: Chairman and Board Members
FROM: Jeff Tissier, Chief Financial Officer
DATE: August 13, 2013
SUBJECT: **External Auditor's Required Communications to the TMWA Board of Directors**

Summary

The attached written communication from TMWA's external auditors, Kafoury Armstrong & Co (KFA), sets forth expectations for conducting and completing the audit of TMWA's financial statements and related disclosures for the fiscal year ended June 30, 2013. The KFA communication also defines the responsibilities of TMWA's management and the TMWA Board of Directors.



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Serving our clients since 1941.

June 6, 2013

To the Board of Directors of the
Truckee Meadows Water Authority:

We are engaged to audit the financial statements of Truckee Meadows Water Authority (Authority) for the year ended June 30, 2013. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated January 24, 2013, our responsibility, as described by professional standards, is to express an opinion 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.

As part of our audit, we will consider the internal control of the Authority. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests is not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Introductory Section and Statistical Section, which accompany the financial statements, will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion.

ELKO
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LAS VEGAS
RENO

Board of Directors
Truckee Meadows Water Authority
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Planned Scope and Timing of the Audit

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 Authority 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 Authority or to acts by management or employees acting on behalf of the Authority. 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.

As the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, we will be applying materiality concepts in planning and executing the audit. Some factors that impact our materiality determination include the intended users of the financial statements, as well as governmental and regulatory operating environment.

To address the significant risks of material misstatement, we will perform audit procedures that are expected to reduce audit risk to an acceptably low level. The audit procedures are expected to encompass a combination of tests of controls and other substantive audit tests.

We performed risk assessment procedures related to the audit in June 2013 and expect to begin audit fieldwork on approximately October 7, 2013, and to issue our report on or before November 30, 2013.

This information is intended solely for the use of the Board of Directors of Truckee Meadows Water Authority and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KAFOURY, ARMSTRONG & CO.

By: 

Kristen Burgess, CPA
Engagement Shareholder

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