

PUBLIC NOTICE

A SPECIAL MEETING AND STRATEGIC PLANNING SESSION OF THE BOARD OF DIRECTORS OF THE CARSON WATER SUBCONSERVANCY DISTRICT WILL BE HELD ON FRIDAY, MARCH 27, 2015, AT 9:00 A.M. IN THE WESLEY ROOM OF THE FIRST UNITED METHODIST CHURCH, 412 W. MUSSEY ST, CARSON CITY, NEVADA. A QUORUM OF THE DOUGLAS COUNTY BOARD OF COMMISSIONERS MAY BE PRESENT AT THIS MEETING. THOSE COMMISSIONERS WILL BE DELIBERATING AND TAKING ACTION ONLY IN THEIR ROLE AS DIRECTORS OF THE CARSON WATER SUBCONSERVANCY DISTRICT.

**s/TONI LEFFLER
SECRETARY**

ITEMS ON THE AGENDA MAY BE TAKEN OUT OF ORDER. THE PUBLIC BODY MAY COMBINE TWO OR MORE AGENDA ITEMS FOR CONSIDERATION. THE PUBLIC BODY MAY REMOVE AN ITEM FROM THE AGENDA OR DELAY DISCUSSION RELATING TO AN ITEM ON THE AGENDA AT ANY TIME.

AGENDA

1. Call to Order
2. Convene CWSD/Alpine County Joint Powers Board
3. Roll Call
4. Pledge of Allegiance
5. Approval of Agenda
6. Public Comment
7. Discussion for possible action regarding a request to the Carson Valley Conservation District to terminate the Buzzy's Ranch Restoration Project, Interlocal Contract #2014-6.
8. Discussion for possible action regarding a one-year extension of the contract with Kohn & Company LLP to include FY 2014-15 audit services.
9. Discussion regarding a Strategic Planning Session for CWSD.
10. Discussion for possible action regarding directions to staff to prepare the Strategic Planning Session report.
11. Public Comment
12. Adjournment

Supporting information is available through Toni Leffler, 777 E. William St., #110A, Carson City, NV 89701, 775-887-7450, toni@cwsd.org and on CWSD website at www.cwsd.org. This notice has been posted on MARCH 23, 2015, at the following locations:

- Dayton Utilities Complex
- Lyon County Administrative Building
- Carson City Hall
- Alpine County Administrative Building

- Minden Inn Office Complex
- Churchill County Administrative Complex
- Carson Water Subconservancy District Office

CWSD STRATEGIC PLANNING SESSION OUTLINE

March 27, 2015

9:00 AM - 2:00 PM

First United Methodist Church

412 W. Musser, Carson City

INTRODUCTION (Facilitator Steve Lewis) (25 min)

Introductions and welcome

ORIENTATION/REVIEW (15 min)

Show the video on the watershed.

Who/What is CWSD? (Ed) (25 min)

- Brief review of how/why CWSD was established (why are we here?)-
 - Originally created in 1959 - Watasheamu Dam
 - In 1989, the Nevada Legislature charged CWSD with the responsibility of “management and development of water resources in the upper Carson River to alleviate reductions and loss of water supply, of the fragmented responsibilities for conservation and supply of water and of any threats to the health, safety, and welfare of the people of the upper Carson River Basin.”
 - In 1999, Churchill County became a member of CWSD.
 - In 2001, Alpine County, California became a member of CWSD by Joint Powers Agreement (JPA)
 - In 2009, Storey County became a non-voting member of CWSD.
- Make up of the Board -
 - Douglas County(5 reps, with 2 being agricultural reps)
 - Carson City (2 reps-CC has determined that both must be Supervisors)
 - Lyon County (2 reps)
 - Churchill County (2 reps)
 - Alpine County (2 reps)
 - CWSD policy that at least one Director from each county be an elected official (explain why)
- No regulatory authority
- General functions
 - Water Quality
 - River Projects
 - Regional Water Supply
 - Recreation
 - Outreach and Education
 - Invasive Species
 - Floodplain Management

CWSD Funding Accounts (Ed) (5 min)

- General Fund - general operations
- Acquisition/Construction Fund - restricted to water rights acquisition and regional projects
- Floodplain Management Fund - funds used for floodplain studies or projects.
- Fixed Assets Fund - includes Mud Lake, Lost Lakes, and Allegretti water rights, as well as office equipment

BREAK (Steve) (20 min)

Integrated Watershed Management: (Brenda) (25 min)

- Overview of Watershed Program
- Carson River Coalition (CRC) & working groups/committees
 - Watershed Guiding Principals
 - Adaptive Stewardship Plan (Watershed Management Plan)
 - Clean Water Act
 - Stakeholder Coordination
 - Watershed – Literacy Action Plan
 - Program Components
 - Floodplain Conservation & Management
Regional Floodplain Management Plan & associated projects
 - Invasive Species (noxious weeds and aquatic species)
 - Water Quality Enhancement (Stormwater)
 - River and Habitat Restoration
 - Community Outreach & Education
 - Recreational Use

Goals Set Out In The Plans (Facilitator Steve Lewis (50 min)

LUNCH BREAK (Steve) (20 min)

What Information Does The Board Members Want to Learn Over The Next Two Years
(Facilitator Steve Lewis) (45 min)

The information gathered will help set the direction for what information will be provided to the Board for the next two years and beyond.

MEMORANDUM

TO: Special Board Meeting/Strategic Planning Session

FROM: Edwin James

DATE: March 27, 2015

SUBJECT: Agenda Items Background Information

Item #7 - Discussion for possible action regarding a request to the Carson Valley Conservation District to terminate the Buzzy's Ranch Restoration Project, Interlocal Contract #2014-6.

Carson City Parks Department staff have discovered that the streambank is eroding along Eagle Valley Creek, threatening the safety of the adjacent trail. To address this problem, Carson City has requested that the remaining unused funding from the Buzzy's Ranch Restoration Project be transferred to the Eagle Valley Creek Streambank Restoration Project. Doing so requires that CWSD terminate its Interlocal Contract #2014-6 with Carson Valley Conservation District (CVCD) for the Buzzy's Ranch project before entering into a new agreement with Carson City. Paul Pugsley, who has been managing the Buzzy's Ranch project for CVCD, believes he can complete the Buzzy's Ranch project leveraging the CWSD funding which has already been paid against other grant funding. Attached is the proposed contract termination letter to CVCD.

Staff recommendation: Authorize the General Manager to send the termination letter for Interlocal Contract #2014-6 to the Carson Valley Conservation District.

Item #8 - Discussion for possible action regarding a one-year extension of the contract with Kohn & Company LLP to include FY 2014-15 audit services.

Staff recently discovered that CWSD's contract with Kohn & Company LLP expired with the conclusion of the FY 2013-14 audit. With only a short time remaining before the FY 2014-15 audit, staff is suggesting that Kohn & Company be engaged for another year. After that, CWSD could issue a Request for Proposals (RFP) for audit services for the following three-year period. Kohn & Company has provided an engagement letter for the Board's approval (attached).

Staff recommendation: Authorize the General Manager to sign the agreement with Kohn & Company LLC to provide accounting and audit services for fiscal year 2014-15.

CARSON WATER SUBCONSERVANCY DISTRICT
777 East William Street, Suite 110A
Carson City, NV 89701
775/887-7450, fax 775/887-7457

March 27, 2005

Paul Pugsley
Watershed Coordinator
Dayton Valley Conservation District
c/o USDA-NRCS
1702 County Rd., Ste. A
Minden, NV 89423

Re: Interlocal Contract #2014-6
Buzzy's Ranch Streambank Rehabilitation

Dear Mr. Pugsley:

Carson Water Subconservancy District (CWSD) would like to terminate Interlocal Contract #2014-6 with Carson Valley Conservation District (CVCD), effective upon CVCD's consent to do so. Carson City has recently discovered that the Eagle Valley Creek is eroding the trail along the creek and would like to transfer the remaining unused funds allocated for the Buzzy's Ranch Streambank Rehabilitation Project to stabilize the Eagle Valley Creek streambank. Based on Carson City's request, I ask that this item be placed on the next CVCD Board meeting agenda and, upon consent by your Board, that your Chairman sign on the designated line at the bottom of this letter.

Thank you for your cooperation in this matter. If you have any questions, please contact me.

Sincerely,

Edwin D. James
General Manager

EDJ/tl

The Carson Valley Conservation District Board agrees to terminate Interlocal Contract #2014-6 with Carson Water Subconservancy District for the Buzzy's Ranch Streambank Rehabilitation Project, effective immediately.

CVCD Chairman

Date

March 17, 2015

Kohn & Company LLP



The Board of Trustees of the
Carson Water Subconservancy District
777 E. William Street, Suite 110A
Carson City, Nevada 89706

We are pleased to confirm our understanding of the services we are to provide for Carson Water Subconservancy District for the year ended June 30, 2015. We will audit the financial statements of the governmental activities and major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Carson Water Subconservancy District as of and for the year ended June 30, 2015. 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 Carson Water Subconservancy District's 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 Carson Water Subconservancy District'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:

- Management's Discussion and Analysis.

The following RSI accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

- Statement of revenue, expenditures and changes in fund balance – budget and actual – general fund.
- Statement of revenue, expenditures and changes in fund balance – budget and actual – special revenue fund.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and we will provide an opinion on it in relation to the financial statements as a whole:

- Schedule of federal awards.
- Statement of revenue, expenditures and changes in fund balance – budget and actual – capital projects fund.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your 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 required supplementary information and supplementary information referred to above when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The OMB Circular A-133 report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Directors of the District. 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 or the Single Audit compliance opinions 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 issue reports, or may withdraw from this engagement.

Management Responsibilities

Management is responsible for the financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying all federal awards received and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. 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*. You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, 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, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, 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, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for (a) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (b) following laws and regulations; (c) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (d) ensuring that management is reliable 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 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 also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management 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. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review when the field work begins.

You are responsible for preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (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 schedule of expenditures of federal awards.

You are also responsible for the preparation of the other 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 OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with 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 for us 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 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.

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. 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 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 government or to acts by management or employees acting on behalf of the government. 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 or noncompliance 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 or major programs. However, we will inform the appropriate level of management of any material errors, 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, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any 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; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government 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*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. 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, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures 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*.



OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

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

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

We will provide copies of our reports to Carson Water Subconservancy District; 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 Kohn & Company LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the oversight agency, 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 Kohn & Company LLP 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 date the auditor's report is issued or for any additional period requested by the oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Beth Farley is the engagement partner and is responsible for supervising the engagement and signing the report. Our audit engagement ends on delivery of our audit report.

We estimate that our fees for these services will be \$12,000 for the audit. Our invoices for these fees will be rendered semi-monthly as work progresses and are payable on presentation. 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.

In addition, many banks are now charging a fee to provide bank confirmations. You will be charged the direct cost, if any, by the bank for this fee. Bank confirmations are a necessary audit procedure to verify bank balances at year end.

In the interest of facilitating our services to your District, we may send data over the Internet, store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your District may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data, such as providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance



with our obligations under applicable laws and professional standards. We also require all of our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and application sand submission of confidential client information to third-party service providers during this engagement.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2014 peer review report accompanies this letter.

We appreciate the opportunity to be of service to you 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.

Sincerely,

KOHN & COMPANY LLP


Beth Farley, CPA, CGMA

RESPONSE:

This letter correctly sets forth the understanding of Carson Water Subconservancy District.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

