



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, December 5, 2017 at 3:00 p.m.
Truckee Meadows Water Authority
Independence Meeting Room
1355 Capital Boulevard, Reno, NV 89502

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., Reno), Reno City Hall (1 E. First St., Reno), Sparks City Hall (431 Prater Way, Sparks), Sparks Justice Court (1675 E. Prater Way, Sparks), Washoe County Courthouse (75 Court St., Reno), Washoe County Central Library (301 South Center St., Reno), Washoe County Administration (1001 East Ninth St., Reno), at <http://www.tmwa.com>, and State of Nevada Public Notice Website, <https://notice.nv.gov/>.
2. In accordance with NRS 241.020, this agenda closes three working days prior to the meeting. 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 834-8002 at least 24 hours before the meeting date.
3. Staff reports and supporting material for the meeting are available at TMWA and on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 835-8002. Supporting material is made available to the general public in accordance with NRS 241.020(6).
4. The Committee may elect to combine agenda items, consider agenda items out of order, remove agenda items, or delay discussion on agenda items. Arrive at the meeting at the posted time to hear item(s) of interest.
5. Asterisks (*) denote non-action items.
6. Public comment is limited to three minutes and is allowed during the public comment periods. The public may sign-up to speak during the public comment period or on a specific agenda item by completing a "Request to Speak" card and submitting it to the clerk. In addition to the public comment periods, the Chairman has the discretion to allow public comment on any agenda item, including any item on which action is to be taken.
7. In the event the Chairman and Vice-Chairman are absent, the remaining SAC members may elect a temporary presiding officer to preside over the meeting until the Chairman or Vice-Chairman are present (**Standing Item of Possible Action**).

1. Roll call*
2. Public comment — limited to no more than three minutes per speaker*
3. Approval of the agenda (**For Possible Action**)
4. Approval of the minutes of October 3, 2017 meeting (**For Possible Action**)
5. Smart About Water Day update — Andy Gebhardt*
6. Water Supply Update — Bill Hauck*
7. Presentation on Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017 — Michele Sullivan*

8. Update regarding possible acquisition of West Reno Water Company system and future water service to the Verdi area, discussion and possible direction to staff on Verdi area water service — John Enloe, Scott Estes and Mark Foree *
9. Update on StoneGate Retail Service Request — John Enloe (**For Possible Action**)
10. Update on Standing Advisory Committee Membership — Sonia Folsom*
11. Presentation of 2018 meeting schedule — Sonia Folsom (**For Possible Action**)
12. Election of Chair and Vice Chair for 2018 — Debbie Leonard (**For Possible Action**)
13. Update on inquiry regarding the formation of a finance subcommittee — Debbie Leonard*
14. Discussion and possible direction to staff regarding agenda items for future meetings (**For Possible Action**)
15. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
16. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
17. Public Comment — limited to no more than three minutes per speaker*
18. Adjournment (**For Possible Action**)



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

October 3, 2017

The Standing Advisory Committee (SAC) met at Truckee Meadows Water Authority (TMWA) in the Independence Room, 1355 Capital Blvd., Reno, Nevada. Chair McGuire called the meeting to order at 3:02 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Fred Arndt, Bob Chambers, Bruce Gescheider, Colin Hayes, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Mike Pidlypchak, Fred Schmidt**, Mike Schulewitch and Jerry Wager.

Alternates Present: Ken Becker, Jordan Hastings, Karl Katt, Scot Munns*, Dale Sanderson, and Jim Smith

Primary Members and Alternates Absent: Harry Culbert, Kevin Haddock, Bill Hughes, and Jonnie Pullman.

Staff Present: Jack Byrom, John Enloe, Scott Estes, Andy Gebhardt, Mark Foree, Sonia Folsom, Joe Petrelli, Danny Rotter, Shawn Stoddard, Michele Sullivan, Sandra Tozi, Marci Westlake, John Zimmerman, and Marlene Olsen, GoodStanding, and Legal Counsel Debbie Leonard.

* *Scot Munns arrived at 3:03 p.m.*

***Fred Schmidt arrived at 3:09 p.m.*

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the agenda.

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 5, 2017 MEETING

SAC members who were absent or present at the September meeting were corrected: Scot Munns, Bill Hughes and Jordan Hastings were all present and Jonnie Pullman was absent.

Upon motion duly made by Member Wager and seconded by Member Litster, and carried by unanimous consent of the members present, the Committee approved the September 5, 2017 meeting minutes with the amendments.

5. PRESENTATION ON THE SMART ABOUT WATER DAY EVENT

Andy Gebhardt, TMWA Operations & Water Quality Director, informed the committee about the Smart About Water Day event to be held at the Lazy 5 Community Center in Spanish Springs on Saturday, October 21. Mr. Gebhardt highlighted the topics to be discussed and presented and activities available. He noted that, in the past, most public events TMWA has hosted have been reactionary and this one is the first where the sole purpose is to engage with, and educate, the community. Mr. Gebhardt encouraged the members to spread the word and attend with their family and friends.

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 5, 2017 MEETING

Vice Chair Schmidt requested to reopen this agenda item to make a few corrections in the draft minutes regarding a few points he had made at the last meeting concerning the meter retrofit fund and the West Reno Water Company wholesale agreement

Upon motion duly made by Vice Chair Schmidt and seconded by Member Gescheider, and carried by unanimous consent of the members present, the Committee approved the September 5, 2017 meeting minutes adopted previously with the additional amendments.

6. INFORMATIONAL UPDATE ON NEW DEVELOPMENT AND NUMBER OF CONNECTIONS

Shawn Stoddard, TMWA Senior Resource Economist, presented on the current projections for new development and the number of connections.

Discussion followed regarding how water use was less in calendar year 2017 compared to calendar year 2016; a wet spring can fluctuate water use and revenue by 10-20%; the size of pipe for multi-family units makes a big difference in water usage (i.e. two inches versus 10 inches); TMWA's projections are consistent with the State Demographer's office; how the arrival of Tesla has driven the housing market up, which has resulted in a slight decline in population in Washoe County; average new connections per month is approximately 180; the majority of water services being requested are for multi-family; water usage is tied to the number of dwellings, which impacts revenues; and the increase in economic development has increased water sales, but only slightly since there is an incentive to use less water than before.

7. PRESENTATION OF PRELIMINARY FUNDING PLAN FOR FISCAL YEARS 2018 THROUGH 2023, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

Michele Sullivan, TMWA Chief Financial Officer, presented the preliminary funding plan for fiscal years 2018-2022. Ms. Sullivan reported the 3% rate increase implemented in May 2017 gave a slight boost in revenues, but rate adjustments are still necessary to close the funding gap at this time; the debt service will increase by \$10.6M in FY2020 due to deferred principal payments in FY2018 and FY2019; operating expenses over the 5-year funding plan are lower by \$879K; and capital spending is higher due to projects that were to be budgeted for completion in FY2017 but were moved to later years.

Vice Chair Schmidt inquired if developer funds could be considered as part of the revenue stream in order to reconsider the second-year 3% rate increase, and expressed his displeasure with having multi-year rate increases. Mark Foree, TMWA General Manager, responded it is TMWA's practice to use only recurring revenue to cover operating costs and debt and not rely on developer fees.

Discussion continued regarding the fact that capital spending has rarely exceeded \$30M and needs to be addressed; how a wet spring in any given year can negatively impacts revenues; as of year-end 2017, TMWA has spent more on capacity projects than what has been collected in developer fees; the increase in cash reserves in FY2017 was a result of the NV Energy settlement for Farad hydroelectric plant of about \$11.8M and the release of the forward delivery agreements (FDAs), which resulted in a payment received of about \$5M. The Board already has designs on how all of this revenue should be utilized, such as investing some in the rate stabilization fund, hydroelectric capital projects, and there are major repairs to Glendale diversion, access roads and Donner Dam due to flooding.

No action taken.

8. PRESENTATION ON THE DRAFT WHOLESALE WATER SERVICE AGREEMENT BETWEEN TMWA AND WEST RENO WATER COMPANY, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

John Enloe, TMWA Natural Resources Director, reminded the committee that the Board deferred taking action on this item at the August meeting and pointed out that TMWA does not have the ability to serve this community today and to do so would cost about \$14M in improvements. Mr. Enloe presented three options that would solve the issue of providing water to Boomtown in Verdi: 1. West Reno serves the new development in the area to the extent their groundwater resources allow; 2. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would allow for conjunctive use management of groundwater and surface water; and 3. West Reno serves the new development in the area to the extent their groundwater resources allow, supported by a TMWA wholesale agreement that would transition to a TMWA acquisition of the West Reno water system at a future date, whereby TMWA would become the retail service provider in the long term.

Discussion revolved around which of the options was best for TMWA and its customers; TMWA requiring West Reno to upgrade, as it did for the Verdi Business Park, before acquisition; that West

Reno meets all the water requirements and has the ability to serve, but still needs to know what the water quality and water quantity is after they have had a chance to run their wells; TMWA is agreeable to the wholesale agreement at first to have the ability to observe any issues that may arise; the Reno Land agreement with Boomtown is for only 500 acre feet of water rights, which is not enough to serve the entire proposed development; TMWA continues to improve infrastructure, including improvements to the Mogul pump station to get 150 gallons per minute (gpm) of available capacity; it is too early to presume that the water system would fail, but a private water company still has to comply with the Public Utilities Commission of Nevada (PUCN) regulations; the TMWA Board had expressed similar concerns and that they want TMWA to be the retail service provider in the area; West Reno has agreed to build the system to TMWA's standards; existing wholesale rates would apply; the agreement would allow to expand the size and capacity of the pipe; and finally, there are too many unknowns to fully understand the implications of moving forward, but enough information to support the wholesale agreement with the stipulation that there is no impact on TMWA customers in the future.

Upon motion duly made by Vice Chair Schmidt and seconded by Member Chambers, and carried by unanimous consent of the members present, the Committee approved to support TMWA entering into a wholesale agreement with West Reno to provide wholesale water service so long as it does not negatively impact TMWA customer rates in the future.

**Karl Katt left at 4:41 p.m.*

9. DISCUSSION AND POSSIBLE DIRECTION TO STAFF REGARDING AGENDA ITEMS FOR FUTURE MEETINGS

Member Schulewitch suggested that a sub-finance committee be established with a few SAC members that meet a few times a year to discuss financials and bring summary reports to the full committee. Debbie Leonard, SAC Legal Counsel, said she would have to research the legality of whether the SAC can form a sub-committee. But that they can have a discussion which can be presented to the Board for consideration.

Next meeting:

1. Water Supply
2. Presentation of Board's decision on the 5-year funding plan
3. Presentation of Board's decision on the West Reno Water System wholesale agreement
4. Possible discussion to request to the Board to establish a Sub-Finance committee

Upon motion duly made and seconded, and carried by unanimous consent of the members present, the Committee approved the agenda items for future meetings.

10. STAFF ITEMS

Sonia Folsom, TMWA SAC Liaison, informed the members that she would be contacting those whose terms are expiring December 31, 2017 to see who is interested and willing to continue to serve.

11. COMMITTEE ITEMS

There were no committee items.

12. PUBLIC COMMENT

There was no public comment.

13. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 5:18 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

**Karl Katt was present for agenda items 1 thru 8 only.*

***Fred Schmidt was present for agenda items 5 thru 13 only.*



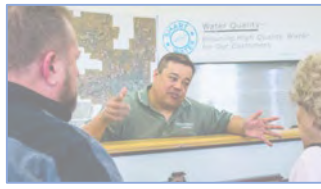
STAFF REPORT

TO: Standing Advisory Committee
THRU: Mark Foree, General Manager
FROM: Andy Gebhardt, Director Operations and Water Quality
DATE: December 5, 2017
SUBJECT: **Smart About Water Day update**

Background:

In 2016, TMWA initiated, as part of their on-going Water Communication plan, a Water Leadership campaign. This was in response to the recent drought and the community's desire for a better understanding of the water system. With many misconceptions swirling surrounding TMWA's role in growth in our region, particularly as it relates to water supply, we decided that we would embark on a pro-active communication plan. One of the components of the plan was to host an annual workshop that would enable customers to have focused discussions with employees regarding their water and water in the region, and hopefully come away with a better understanding of how the water system is operated.

TMWA held the first of these workshops, titled Smart About Water Day, on October 21, 2017 at the Lazy 5 Regional Park. Attached you will find a brief re-cap of the first Smart About Water Day.



TMWA's Smart About Water Day

October 21, 2017 | Lazy 5 Regional Park | 10 a.m. – 2 p.m.

As a part of TMWA's "Water Leadership" platform, the goal of this event was to inform and educate the entire community regarding the state of our water -- how our region's water supplies and system are managed, putting the record-breaking water year in perspective. The intended outcome is to foster a more informed public discourse about our water supply and regional water planning. Select partners added external validation and context, helping TMWA accomplish this goal.

Attendance



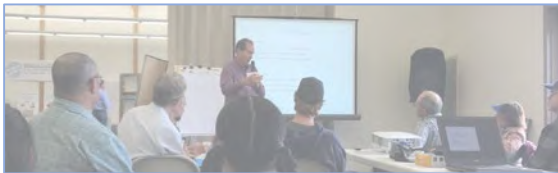
At last count, 79 people attended, from school kids to retirees. Additionally, several TMWA employees and their families opted to come as well. At the entrance, attendees plotted where they lived with stick pins on a service territory map, demonstrating customers came from every part of the community. Compared to most TMWA events, people were very engaged and some stayed for the entire 4-hour event. Onsite media coverage included KTVN and This is Reno.

Education



To showcase TMWA's level of diligence, all TMWA's functional areas were on display. This included Distribution & Delivery, Water Quality, Water Resource Planning, Hydroelectric Facilities and Finance. Interactive displays featured TWMA's big rigs (fleet of service trucks), a Chalk Bluff water treatment board, pipes and mains, a cross-section of a fire hydrant and a hydroelectric facilities history board with a small turbine. Water quality and watershed experiments with hands-on family activity were popular.

Expertise



Mini-presentations were well attended. Topics presented by TMWA staff included TROA Benefits, Conjunctive Use, Water Rights and Home Winterization. Truckee Meadows Regional Planning and Western Region Water Commission addressed Smart Growth. Attendees stayed far longer than expected, presenting questions that they have always wanted to ask.

Feedback



During exit interviews, many people said they appreciated the interactive activities. Specifically noted were the Water Quality testing experiments, Sierra Nevada Journey's water run-off modeling and Arbor Tours by arborist Dale Carlon. Some had questions about wastewater that TMWA could not authoritatively address. This represents an area for potential partner expansion for the next event.

Partners



To include content related to Water Leadership for this inaugural event, the site space allowed for the addition of organizations to enhance regional water expertise.

On the topic of Growth and Water, this included:

- *Truckee Meadows Regional Planning Agency*
- *Western Region Water Commission*

On the topic of Watershed Education, this included:

- *The Nature Conservancy (Independence Lake Management)*
- *Sierra Nevada Journeys (Youth Activities)*



Water Supply Outlook for 2018

Standing Advisory Committee Meeting

Bill Hauck, Senior Hydrologist

December 05, 2017

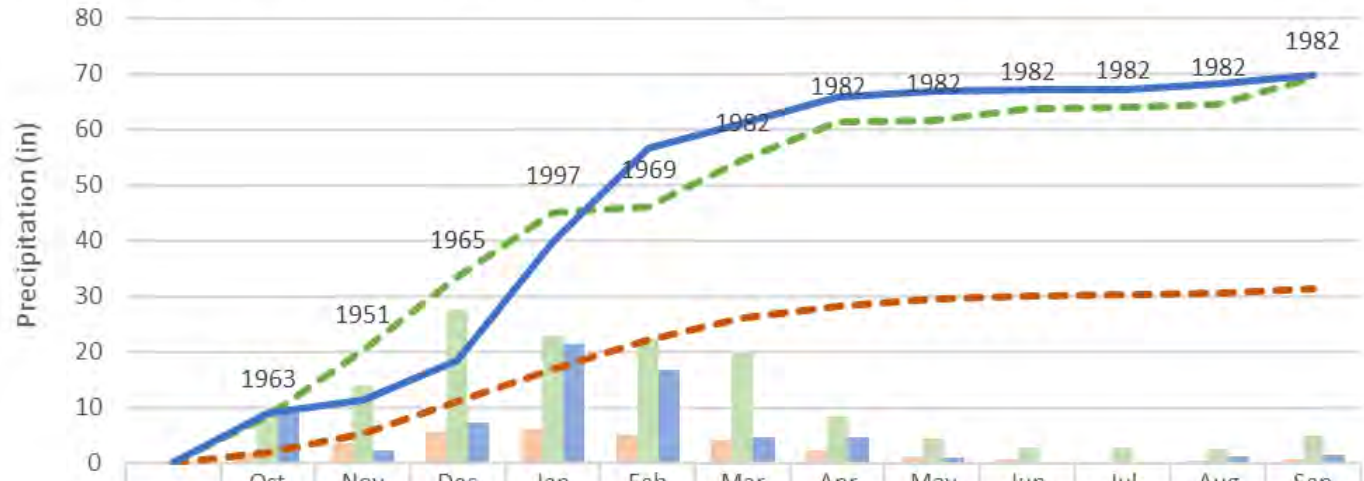


The Truckee & Carson River Systems



Lake Tahoe WY2017 Precipitation Summary (POR: 1910-2016)

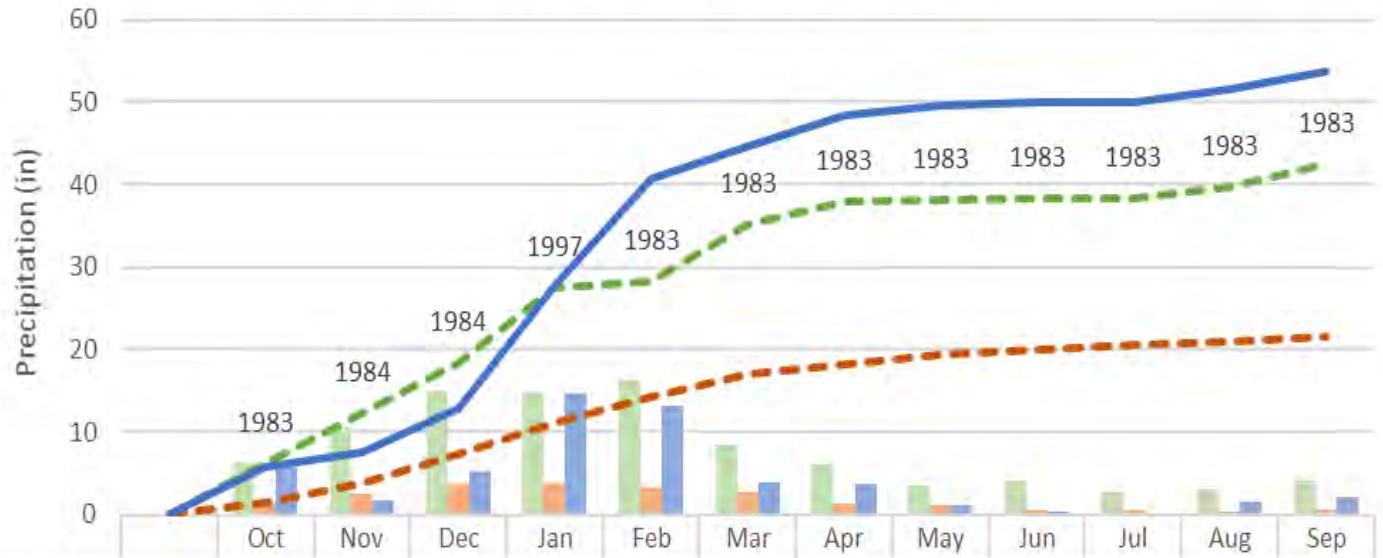
12-05-17 SAC Agenda Item 6



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
POR Average Monthly	1.85	3.59	5.63	6.06	5.24	4.09	2.13	1.22	0.66	0.25	0.30	0.59	
POR Max Monthly	9.04	13.73	27.55	22.82	22.25	19.58	8.25	4.33	2.64	2.66	2.56	4.78	
WY2017 Monthly	9.04	2.25	7.13	21.33	16.84	4.54	4.71	1.04	0.18	0.00	1.13	1.58	
POR Average WY to Date	0.00	1.79	5.36	10.97	16.89	22.02	26.11	28.22	29.44	30.10	30.36	30.65	31.24
POR Max WY to Date	0.00	8.34	20.15	33.36	45.03	46.15	54.50	61.21	61.65	63.74	63.92	64.43	69.21
WY2017 WY to Date	0.00	9.04	11.29	18.42	39.75	56.59	61.13	65.84	66.88	67.06	67.06	68.19	69.77

Boca Reservoir WY2017 Precipitation Summary (POR: 1910-2016)

12-05-17 SAC Agenda Item 6



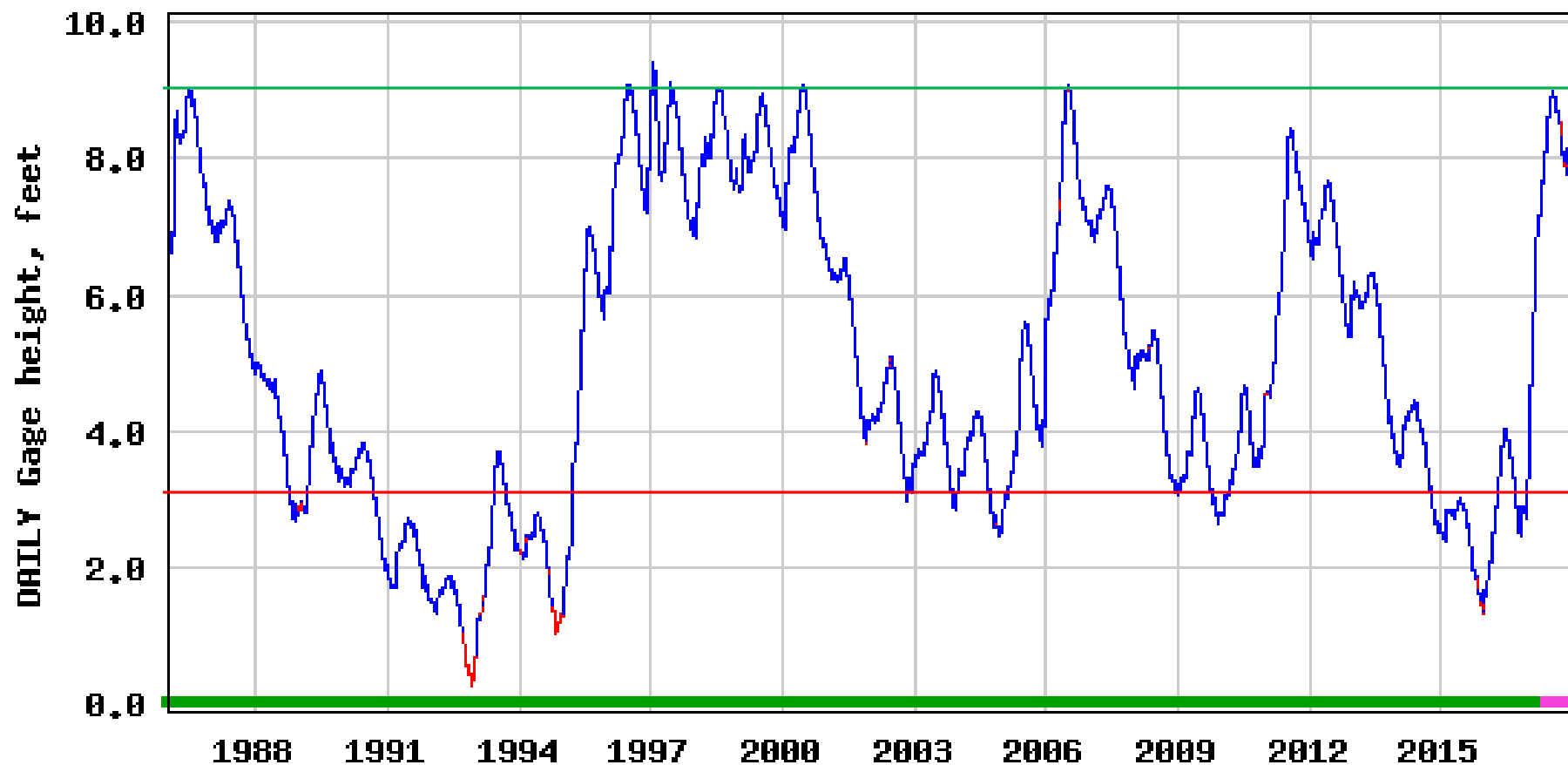
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
POR Max Monthly	6.27	10.68	14.92	14.77	16.31	8.54	6.12	3.46	4.07	2.73	3.18	4.17	
POR Average Monthly	1.39	2.49	3.65	3.85	3.28	2.72	1.32	1.12	0.62	0.49	0.42	0.57	
WY2017 Monthly	5.74	1.74	5.37	14.77	13.09	3.93	3.73	1.24	0.42	0.00	1.59	2.13	
POR Max WY to Date	0.00	6.27	12.21	18.43	27.57	28.37	35.29	37.97	38.25	38.37	38.37	39.74	42.43
POR Average WY to Date	0.00	1.35	3.82	7.45	11.15	14.26	16.99	18.29	19.42	20.05	20.55	20.96	21.51
WY2017 WY to Date	0.00	5.74	7.48	12.85	27.62	40.71	44.64	48.37	49.61	50.03	50.03	51.62	53.75

2017 Water Year Runoff (April Through July)

	Farad	Tahoe
	April though July Volume (1000 acre-feet)	April to High Rise (ft)
Water Year 2017	662	3.8
Rank*	4	2
Percent of Average*	249%	260%
Percent of Median*	287%	297%
Percent of Maximum*	93%	95%

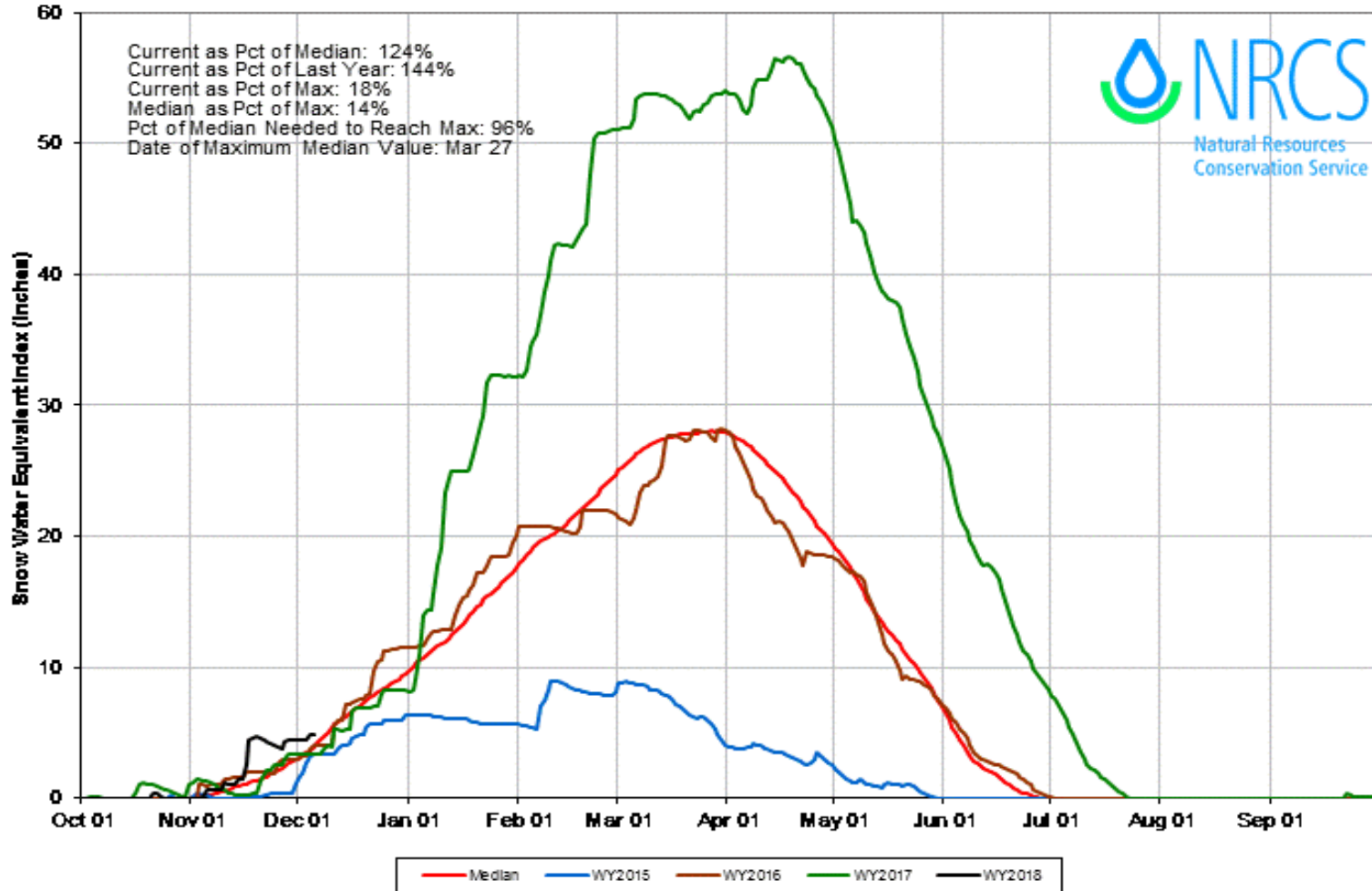
*Based on historical data for water years 1901-2016

USGS 10337000 LAKE TAHOE A TAHOE CITY CA

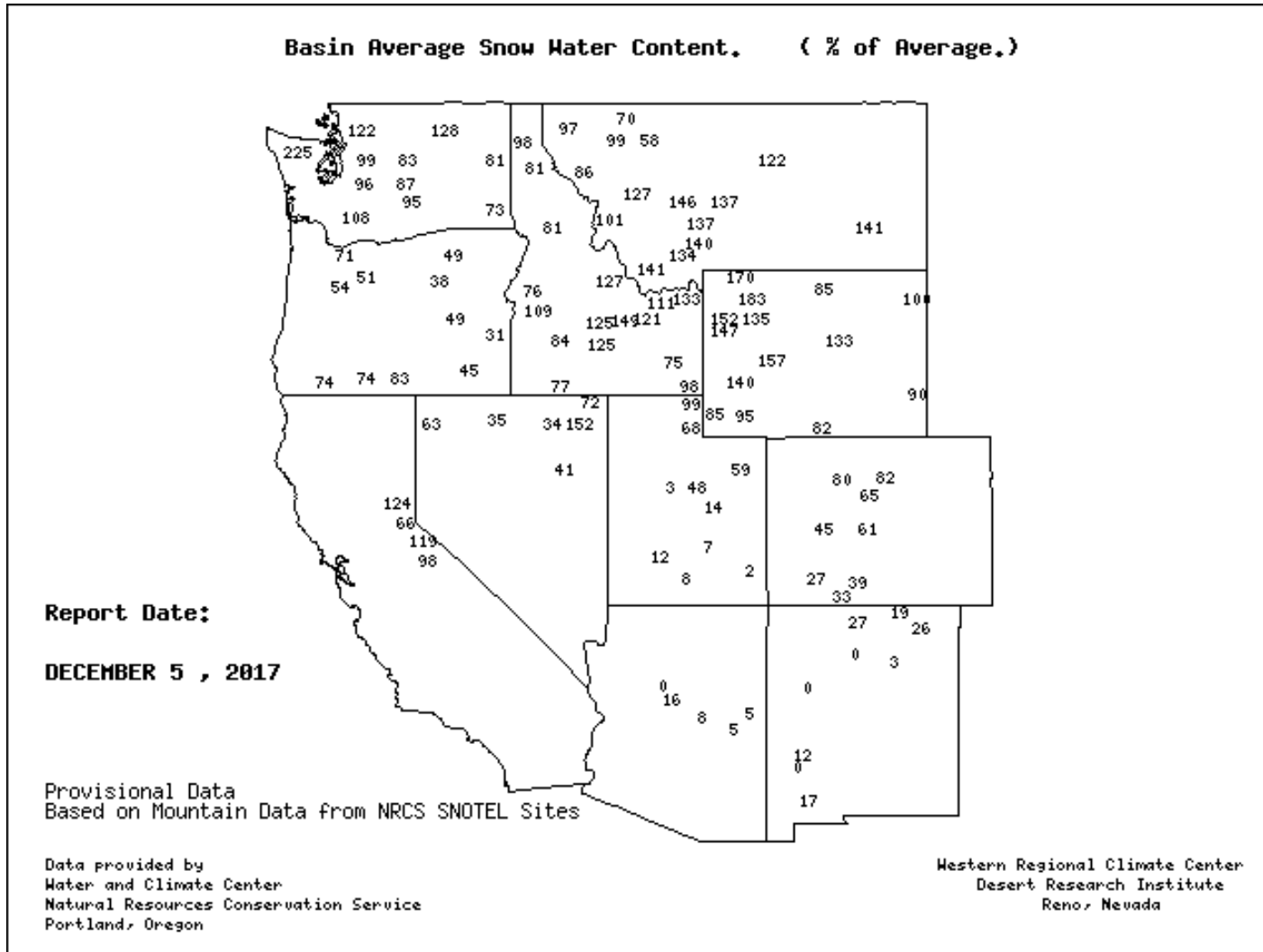


- Daily observation at midnight gage height
- Estimated daily observation at midnight gage height
- █ Period of approved data
- █ Period of provisional data

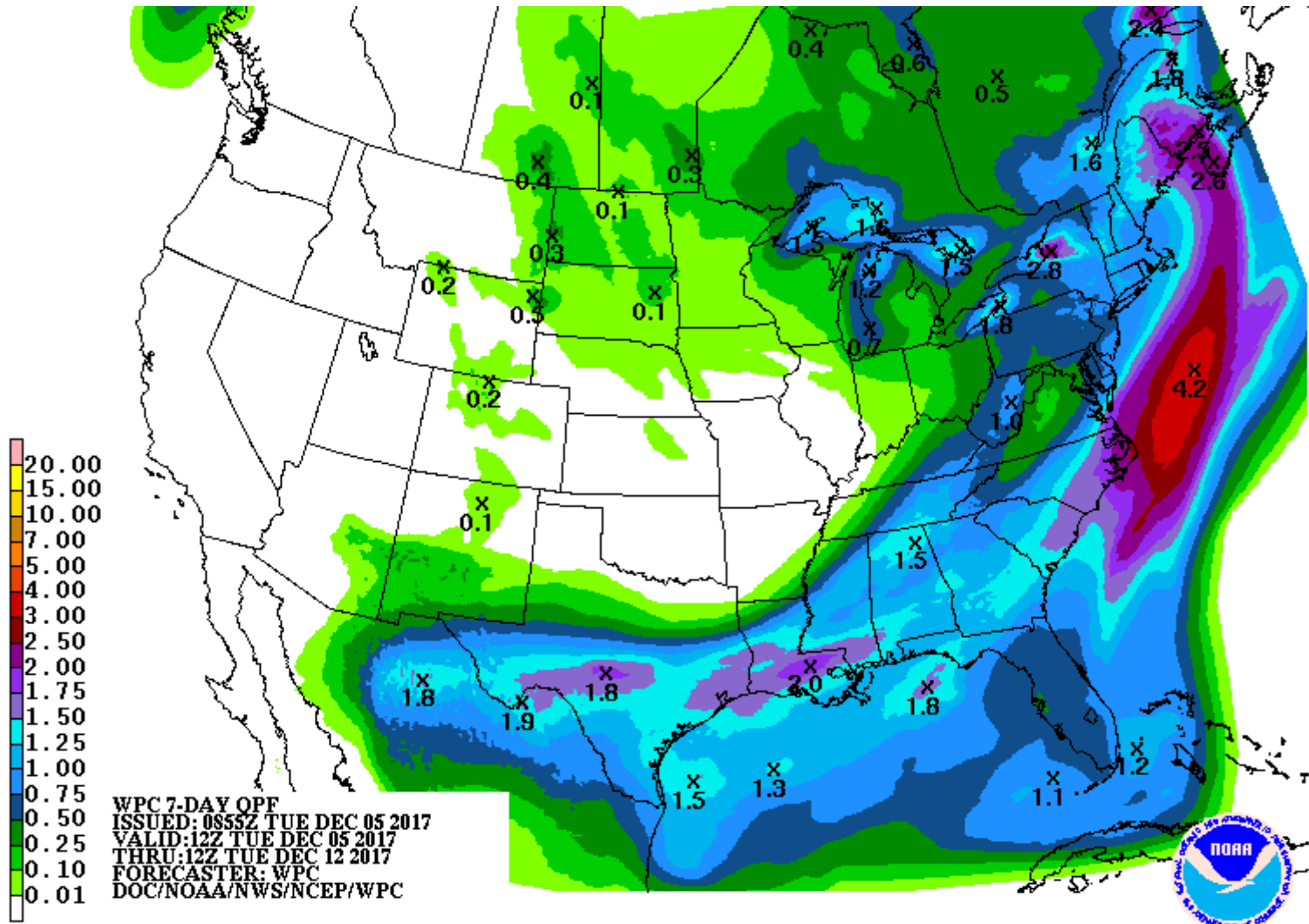
Truckee River Basin Snowpack Status



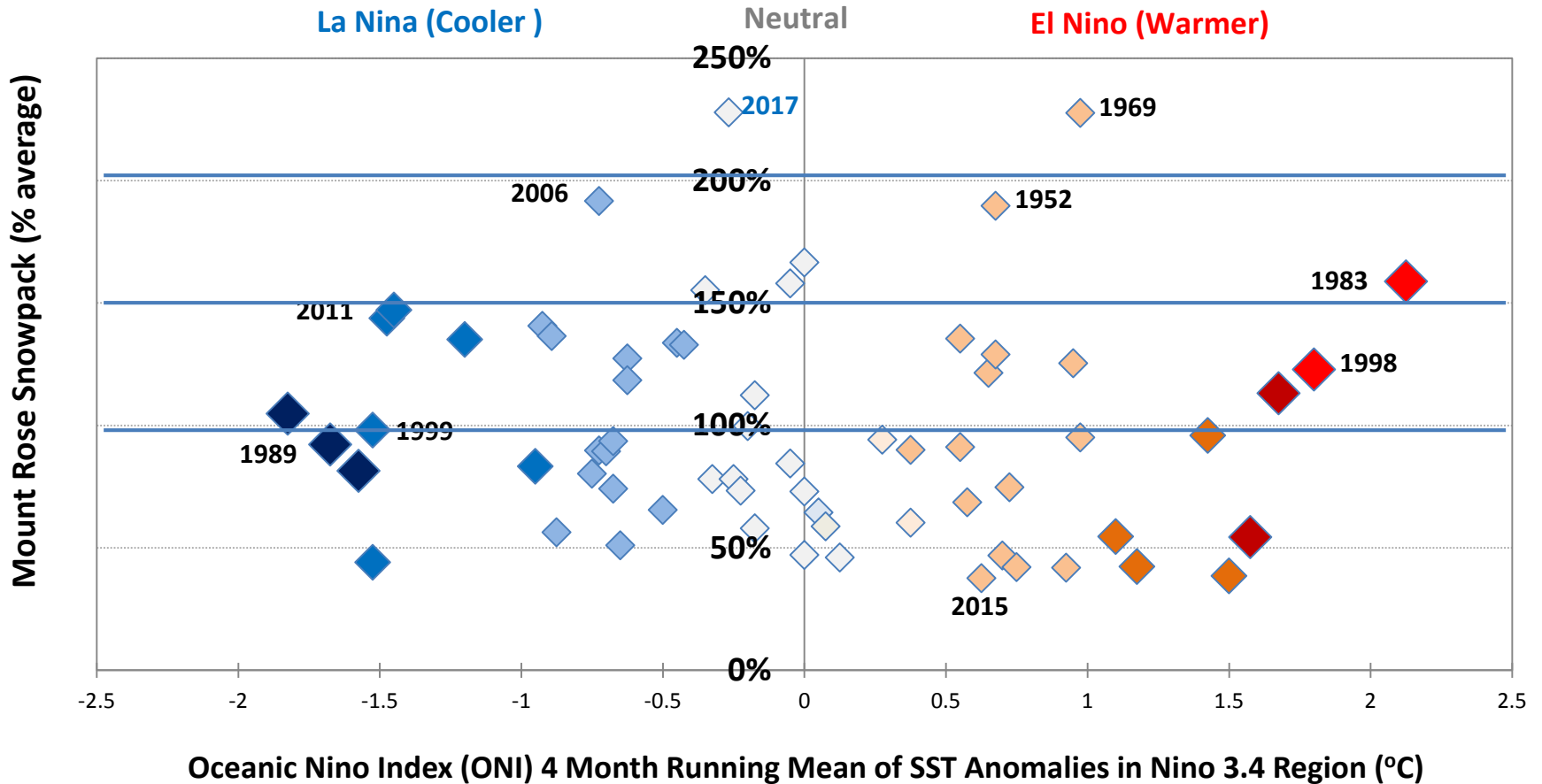
SNOTEL – River Basin Snow Water Content



7 Day Total Precipitation Outlook



El Nino/Southern Oscillation Relationship to Mount Rose Snowpack





Another Big Winter in 2018?



Thank you!

Questions?

Bill Hauck, Senior Hydrologist

Email: bhauck@tmwa.com

O: (775) 834-8111 M: (775) 250-1333



To: TMWA Standing Advisory Committee
Thru: Mark Foree, General Manager
From: Michele Sullivan, Chief Financial Officer
Date: November 29, 2017
Subject: **Presentation on Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2017**

Recommendation

TMWA staff will present the Comprehensive Financial Report (CAFR) to the Board for the fiscal year ended June 30, 2017 for approval by resolution and request direction to the Chief Financial Officer to forward the appropriate documentation to the State of Nevada Department of Taxation within the prescribed deadline.

Summary

Pursuant to NRS 354.624, Truckee Meadows Water Authority (TMWA) is required to conclude an audit before November 30, 2017, and submit the audit report to the governing body not later than six months after the close of the fiscal year for which the audit is conducted.

The CAFR for the fiscal year ended June 30, 2017, includes the letter of transmittal, management's discussion and analysis, the audit report, the financial statements, required supplementary information, statistical schedules and the compliance section.

The financial statements include the Statement of Net Position (Balance Sheet) of the Truckee Meadows Water Authority as of June 30, 2017 and June 30, 2016 and related Statements of Revenues, Expenses and Changes in Net Position (Income Statement) as well as the Statement of Cash Flows.

Of particular importance to TMWA is the auditor's opinion on the financial statements that TMWA was in compliance with *Generally Accepted Accounting Principles (GAAP)*, and Nevada Revised Statutes for the year ended June 30, 2017. The auditors had no finding in the financial statement audit. As part of the single audit of TMWA's financial statements there was one finding. A single audit is required when an entity receives more than \$750k in federal funding, and TMWA was required to have this audit performed because it received \$1.2 million related to the TROA grant. During the single audit it was discovered that invoices were submitted to the Bureau of Reclamation (BOR) that were dated before the original grant award date totaling \$87k. These invoices were replaced at the BOR with other qualified invoices that fall within the grant period. In the future, TMWA procedures will include a checklist of items that must be followed for each federal grant award.

TMWA enjoyed excellent financial performance for the fiscal year ended June 30, 2017 with a positive change in net position for the year of \$46.5 million. Preliminary financial results were provided at the September 2017 SAC and BOD meetings which showed a positive change in net position of \$46.7 million. Variances between the final audited financial statements and preliminary were minor at \$0.2 million, with no change in operating revenues and expenses. Cash balances in the final results are unchanged at \$174.0 in total cash

Debt service coverage ratio was 2.86x in FY17 v 1.58 in FY 16. The change is due to deferral of \$12 million in bond payments. Other unrequired debt service payments of \$32.9 were made in the 2017 bond refunding, and commercial paper was paid down by \$4.4 million in FY17.

Discussion

This staff report presents a summary of overall financial performance. Complete information is shown in the financial statements and the notes supporting the financial statements. Management's Discussion and Analysis (MD&A) in the financial section provides a detailed discussion of comparative financial performance with fiscal year 2016.

Fiscal Year 2017 Actual to Budget comparison

Total operating revenues were approximately \$97.3 million, 1.9% higher than the revised operating revenue budget. Water sales revenues were \$1.5 million or 1.6% higher than the revised water sales budget. Water sale revenues were higher than budget by \$4.1 million last summer (July-September, 2016) due to over 90 days of no precipitation. However, a cooler, wetter spring (March-May, 2017) left water sales revenues short of budget projections for those months, leaving water sales flat as compared to budget after the spring season. In June of 2017, revenues rebounded with more hot weather, bringing water sales revenue slightly higher than budget for the year. Hydroelectric revenues were \$0.03 million or 1.9% higher than budget. Other miscellaneous water sales were \$0.3 million or 13.0% higher than budget, mainly due to increases in inspection fees for new business activities as residential building activity becomes more robust in the service area.

Total operating expenses before depreciation were approximately \$50.3 million, \$2.5 million or 4.7% less than the revised budget. Spending on wages and salaries was \$1.1 million or 5.8% less than budget, due to turnover and lower spending on interns and temporary employees. Employee benefits were \$0.3 million or 3.6% over budget due to adjustments in the NVPERS actuarial estimates related to the proportion of TMWA's contribution to NVPERS. Spending on service and supplies was \$1.8 million or 6.8% less than revised budget. Power costs were \$1.1 million less than anticipated. TMWA as a consolidated water utility continues to aggressively manage power expenses. Claims for domestic well mitigation were also lower than anticipated by \$0.2 million. Depreciation expense was \$32.2 million, \$1.1 million or 3.2% less than revised budget.

Net non-operating revenue and expenses were favorable \$3.5 million or 23.0% as compared to the revised budget. As part of the 2017 bond refunding, there was a release of two forward delivery agreements (FDA) with Bank of New York Mellon and JP Morgan. These banks will no longer have to provide a 5.5% interest rate on a portion of TMWA's debt reserves and O&M reserves balances, so they paid TMWA \$5.1 million for the release of this commitment. This settlement was negotiated by our financial advisors at PFM. Offsetting were higher bond

amortization expenses of \$0.7 million related to the 2017 refunding bonds, and a decrease in the fair value of investments of \$0.3 million.

Total capital contributions were \$43.4 million, \$11.9 million or 37.7% greater than planned mainly due to developer infrastructure contributions of \$10.8 million.

Spending on capital outlays and construction projects for the fiscal year ended June 30, 2017 was approximately \$31.1 million. The final revised capital budget was \$31.9 million significantly reduced from the previous augmented budget amount of \$47.8 million. Customer Rate funded projects totaled \$26.5 million or 85.2%, Developer funded projects were \$3.8 million or 12.2%, and STMGID Reserves funded \$0.8 million or 2.6% of capital spending.

Major projects funded by Customer Rates were the Fleish Penstock at \$2.5 million, Stead Main Replacement \$2.4 million, 4th and Prater Replacement \$2.7 million, Chalk Bluff Plant Improvements \$1.8 million, Double Diamond Well 3 \$1.4 million and Tank Improvements \$1.1 million. Major projects funded by Developers were the Truckee Canyon Water Treatment Improvements \$1.5 million and Terminal PH Adjustment \$1.0 million.

Total cash and investments as of June 30, 2017 was approximately \$174.0 million, \$10.4 million higher than budget. Additional cash balances are from the release of FDAs received as investment income of \$5.1 million, higher operating cash flow of \$2.9 million, and higher developer contributions of \$1.2 million. Approximately \$41.8 million was restricted by bond indenture requirements and conditions of the STMGID water utility consolidation. The remaining balance of \$132.2 million was available to pay for future operating and maintenance expenses, construction spending, future debt payments, and commercial paper redemptions. Included in unrestricted cash is \$21.5 million from insurance settlements collected in FY16 and FY17 for Farad hydroelectric facilities, and \$9.5 million collected in FY16 and FY17 for the release of FDA agreements.

Fiscal Year 2017 Actual to Prior Year Comparison

Total operating revenues in fiscal year 2017 were approximately \$97.3 million, 5.49% higher than the prior fiscal year 2016. Water sales revenues were \$5.2 million or 5.56% higher than prior year. Water sale revenues were higher than prior years by \$4.6 million last summer (July-September, year over year) due to over 90 days of no precipitation in FY17. Additional revenue due to the rate increase effective the first billing cycle in May 2017 contributed an additional \$0.5 million in water sales revenue to fiscal year 2017. Hydroelectric revenues were \$0.6 million or 34.3% higher than prior year due to additional water flow in the Truckee River. Other miscellaneous water sales were \$0.4 million or 15.31% less than prior year, mainly due to an insurance settlement collected in the prior year.

Total operating expenses before depreciation were approximately \$50.3 million, \$1.8 million or 3.6% higher than the prior year. Spending on wages and salaries was \$0.7 million or 4.15% higher, due to wage increases of approximately 2%, promotions and step increases. Employee benefits were \$2.7 million or 29.66% higher mainly due to \$2.3 million increase in NVPERS actuarial estimates related to the proportion of TMWA's contribution to NVPERS. Spending on service and supplies was \$1.6 million or 6.7% less than prior year. Expenses related to the Fleish penstock project were expensed for a loss of \$0.6 million in the prior year. Power costs are lower by \$0.3 million in the current year, and professional services are lower \$0.3 million due to

work performed internally, especially in hydrology. Accruals for fiscal year ended June 30, 2016 were slightly overstated by \$0.3 million.

Net non-operating revenue and expenses were unfavorable \$2.2 million or 23.1% as compared to prior year. In the prior year the sale of water rights to implement TROA created a gain on sale of \$7.0 million. Offsetting was lower interest expense in 2017 of \$4.5 million.

Total capital contributions were \$43.4 million, \$24.1 million greater than prior year due to an \$11.8 million insurance settlement related to Farad hydroelectric plant, \$9.4 million increase in developer contributions, \$2.3 million in additional developer infrastructure contributions, and \$1.0 million in additional grants received mainly due to TROA.

Total cash and investments as of June 30, 2017 was approximately \$174.0 million, \$13.0 million lower than prior year. Use of \$32.9 million in the debt service reserve fund to pay down debt in the 2017 refunding was offset by \$11.8 million additional insurance funds received, and \$5.1 million received from release of FDAs. Restricted cash balances decreased from \$87.3 million to \$41.8 million due to release of the debt service reserve fund and lower current debt service requirements due to deferral of principal payments on Senior Lien Debt. The unrestricted cash balance increased from \$99.8 million to \$132.2 million. Included in unrestricted cash is \$21.5 million from insurance settlements collected in FY16 and FY17 for Farad hydroelectric facilities, and \$9.5 million collected in FY16 and FY17 for the release of FDAs.

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 256

A RESOLUTION APPROVING THE FINANCIAL STATEMENTS OF THE TRUCKEE MEADOWS WATER AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2017

WHEREAS, TMWA is responsible for filing financial statements with various agencies, banks, and regulatory authorities; and

WHEREAS, pursuant to NRS 354.624, TMWA is required to file audited financial statements with the Nevada Department of Taxation, not later than six months after the close of the fiscal year being audited; and

WHEREAS, the TMWA Board is required to accept and approve the financial statements prior to filing of said statements with the Nevada Department of Taxation by December 31, 2017.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the audited financial statements for the period ending June 30, 2017, as provided to the TMWA Board, are hereby accepted and approved and staff is directed to submit such information to the Nevada Department of Taxation.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted December 13, 2017, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Truckee Meadows Water Authority
Resolution No. 256 (continued)

Approved this 13th day of December, 2017

Geno Martini, Chairman

STATE OF NEVADA,)
 : ss.
COUNTY OF WASHOE.)

On this 13th of December, 2017, Geno Martini, Chairman of the Board of Truckee Meadows Water Authority, personally appeared before me, a Notary Public in and for said County and State, and acknowledged that he executed the above instrument freely and voluntarily and for the purposes therein mentioned.

Notary Public



November 29, 2017

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

We have audited the financial statements of Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as of and for the year ended June 30, 2017 and 2016, and have issued our report thereon dated November 29, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under Uniform Guidance

As communicated in our letter dated July 15, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of TMWA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also 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 for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by TMWA is included in Note 1 to the financial statements. As described in Note 1 to the financial statements, TMWA adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* which clarifies presentation of payroll-related measures in required supplementary information. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions, with the exception of the recording of the contingent sales tax refund which is presently shown as consuming current financial resources (near-term liquidity) and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

The most sensitive accounting estimates affecting the financial statements are:

- Liability and related disclosures for post-employment benefits other than pensions (OPEB)
- Liability and related disclosures for pension benefits
- Receivable for delivered but unbilled water sales revenue
- Allocation of administrative costs to capital assets
- Valuation of developer dedicated infrastructure and other donated capital assets

Management's estimate of the actuarial accrued liability for other post-employment benefits is based on a third party actuarial valuations. Management's estimate of the pension liability is based on actuarial valuation; which are calculated based on the employee information submitted by TMWA to the Public Employees' Retirement System of the State of Nevada (PERS). Management's estimate of the delivered but unbilled water sales revenue is based upon number of days in the cycle and water usage. Management's estimate of the allocation of administrative costs to capital assets is based upon the year-to-date construction salaries and wages relative to total construction and indirect salaries and wages. Management's estimate of the value of the developer dedicated infrastructure and other donated capital assets is based on acquisition value (as defined under GASB Statement No. 72) using engineering cost indices at the time of dedication or donation. We evaluated the key factors and assumptions used to develop these sensitive estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting TMWA's financial statements relate to:

- Long term debt obligations
- Obligations for pensions and other postemployment benefits

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management; of which there were none. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole; of which there were none.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated November 29, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with TMWA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as TMWA's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing TMWA's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have:

- For the the introductory and statistical sections, which accompany the financial statements but are not RSI we read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.
- We were engaged to report on the schedules of revenues, expenses and changed in net position – budget and actual, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the

prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

We applied certain limited procedures to management's discussion and analysis, the schedule of funding progress – OPEB, the schedule of TMWA's share of the net pension liability – NV PERS, and the schedule of TMWA contributions – NV PERS, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada



NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2017 and 2016

PREPARED BY: Michele Sullivan, CPA
Chief Financial Officer

Truckee Meadows Water Authority

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November 29, 2017

To the Board of Directors, Our Customers, and Bondholders:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Truckee Meadows Water Authority (TMWA) for the Fiscal Year ended June 30, 2017. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this CAFR, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Nevada Revised Statutes and bond covenants require that an independent certified public accounting firm selected by the Board of Directors audit TMWA's financial statements on an annual basis. Eide Bailly, a firm of licensed certified public accountants, has audited TMWA's basic financial statements as of and for the fiscal years ended June 30, 2017 and 2016. The independent auditor's report is presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 and Public Investments as embodied in Chapter 355 of the Nevada Revised Statutes.

The CAFR consists of four sections:

Introduction Section - This section is comprised of the letter of transmittal which contains information relative to TMWA's background, a listing of TMWA's principal officers, organizational chart and other relevant information to assist the reader in understanding TMWA's operations, financial condition, and accomplishments.

Financial Section - This section consists of TMWA's basic financial statements, supplementary financial information and independent auditor's report on the basic financial statements. This section also includes Management's Discussion and Analysis (MD&A), which provides a narrative overview and explanation of the results reflected in the basic financial statements. The financial statements presented in this section were prepared in accordance with GAAP. TMWA's financial activities are reported as an enterprise fund (proprietary fund type).

Statistical Section - This section is comprised of selected financial, operational and demographic information generally presented annually and includes statistics for the past ten years.

Compliance Section - This section consists of information regarding TMWA's compliance with state statutes, in particular, conformance with the Local Government Finance Act.

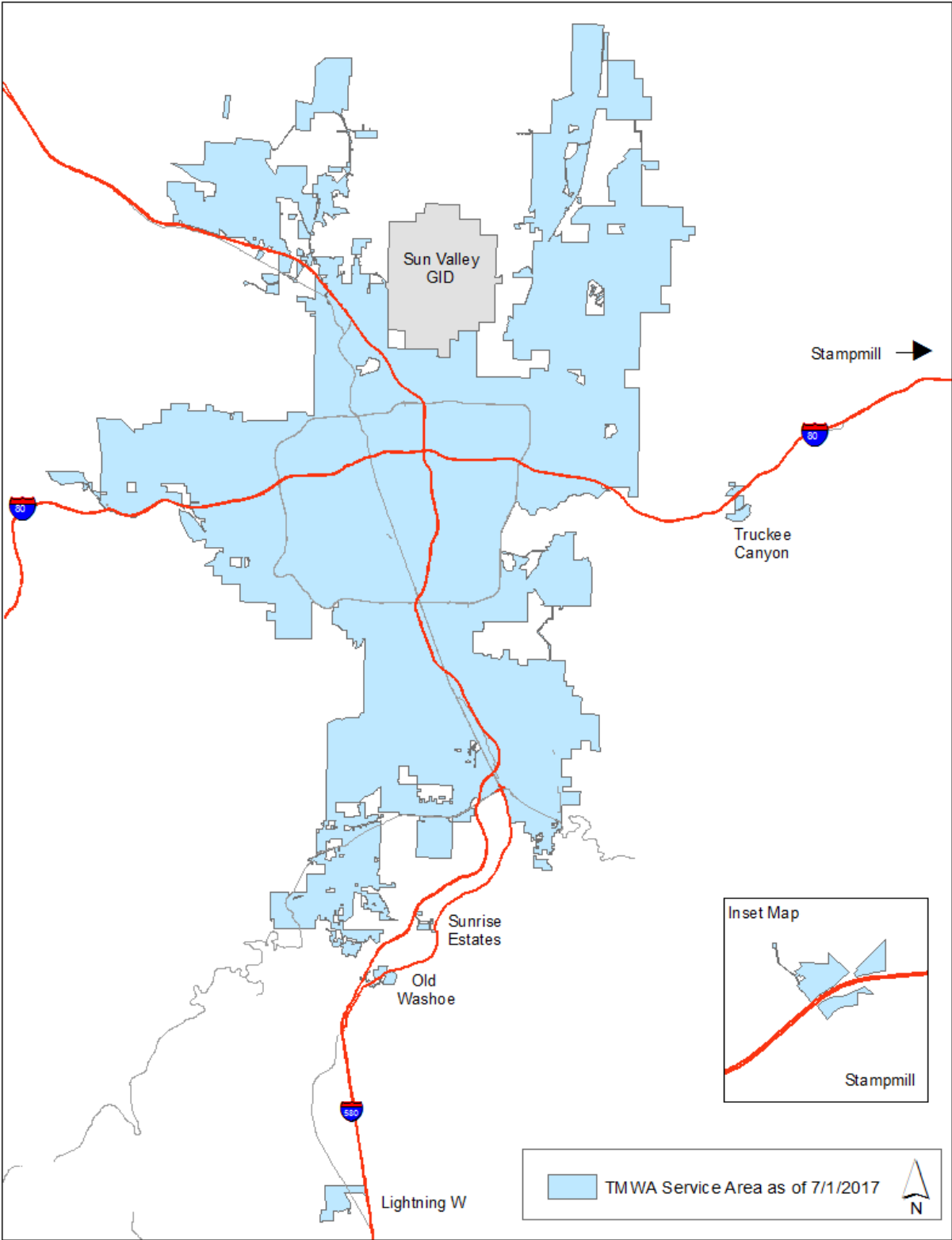
REPORTING ENTITY

TMWA was formed as a Joint Powers Authority (JPA) pursuant to Chapter 277 of the Nevada Revised Statutes and is a political subdivision of the State of Nevada. TMWA is separate from its member agencies: City of Reno, City of Sparks and Washoe County. TMWA was formed in November 2000 for the purpose of acquiring the assets of the water division of Sierra Pacific Power Co. (SPPCo), a subsidiary of Sierra Pacific Resources (“SRP”), now known as NV Energy (NVE), with the goal of retaining local control over the water resources of the area. TMWA took over the water system assets on June 11, 2001. Amendments to the JPA were approved by the Attorney General’s Office of the State of Nevada effective February 3, 2010. The amendments were made in anticipation of the consolidation of TMWA, Washoe County’s water utility and another water utility named South Truckee Meadows General Improvement District (STMGID). The consolidation of the water utilities occurred on January 1, 2015 with TMWA as the surviving entity. There are no component units associated with this financial reporting entity.

TMWA has no financial interdependence with its member agencies. TMWA has broad powers to finance, construct and operate the water system, for the diversion, treatment, distribution, and sale of treated water to retail and wholesale customers. TMWA has full authority to set water rates for services subject to the approval of the TMWA Board of Directors, without approval by other entities. TMWA is a tax-exempt entity for purposes of federal taxes and State of Nevada property and sales and use taxes, as well as other state taxes. TMWA pays property taxes in Nevada and Sierra Counties of California for the privilege of storing water in private and federal reservoirs. TMWA has no taxing authority.

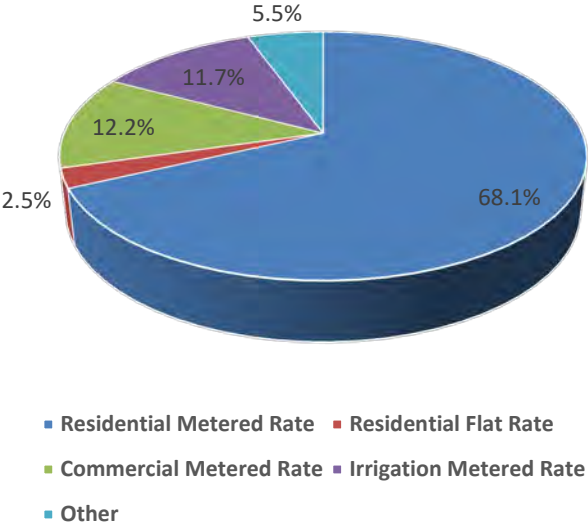
TMWA has over 125,000 service connections and one wholesale customer. TMWA operates within the Truckee Meadows Service Area (TMSA). TMWA has only one wholesale customer, the Sun Valley General Improvement District (SVGID) located north of the Reno-Sparks main metropolitan area. SVGID is wholly dependent upon TMWA water deliveries since this district has no source of water supply. There is one water delivery contract associated with this wholesale connection.

The following map reflects the TMSA.



The following graph depicts the proportion of operating revenues by class for fiscal year 2017:

TMWA Operating Revenues \$97.3 Million



The metering of the water system, which began under Sierra Pacific in 1995, presents various operational solutions for TMWA. These solutions present the opportunity to collect accurate data on water usage by customer class. This allows TMWA to make more accurate cost of service analyses, to make water rates more equitable across customer classes, and to better anticipate future water resource and water facility requirements. In early fiscal year 2016, there were still approximately 4,300 customers who continued to pay the flat rate, but the TMWA Board mandated that essentially all remaining flat rate customers be converted to a metered rate. TMWA accomplished this goal by the first billing cycle of October 2015. Currently, there are less than 300 water services that remain to have a meter installed, and these primarily represent problematic services with multiple customers on a single service line. TMWA is mindful of the revenue impact from the conversion to metered billing in its financial planning, and also accounts for the changing water demands in its water facility and resource planning efforts. Regardless, it is recognized that any system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use. Also, with drought conditions intermittently facing the region the final conversion of flat rate customers to metered billing was essential.

The Board adopted a goal in August 2003, to maintain a senior lien debt coverage ratio of at least 1.5 times recurring revenues less operating expenses divided by annual debt service. This calculation excludes developer facility charges and other fees associated with new development. This coverage target is sufficient to meet minimum debt service coverage requirements, fund reconstruction of the water system on primarily a pay-as-you-go basis and manage TMWA's senior lien bonding capacity to allow for potential future senior lien bond sales if necessary. These measures were deemed necessary to maintain water system infrastructure in a prudent manner and insure that TMWA's bondholders are adequately protected. There are no other restrictions, commitments, or other limitations that would restrict the unrestricted cash assets for use in meeting TMWA's obligations. TMWA's senior lien coverage (excluding developer fees and charges) was approximately 3.15x and with certain developer fees and charges was approximately 3.80x as of June 30, 2017. The debt coverage ratio is significantly higher than previous years due to deferral of \$12.5 million in principal payments in a 2016 refunding transaction.

ECONOMIC OUTLOOK AND WATER RESOURCES

The Reno-Sparks metropolitan area enjoys a moderate climate, offers a wide variety of year-round recreational opportunities, and has a favorable tax structure. It is also centrally located in the Pacific region affording efficient distribution of goods throughout the western United States. Northern Nevada's favorable business tax environment nurtures steady growth in TMWA's service area and nearby communities in manufacturing, distribution, warehousing and industrial businesses. TMWA's service area has experienced steady growth since TMWA's inception in 2001, with overall population gains in Washoe County of over 25 percent. Taxable sales in Washoe County increased by 10.7% in fiscal year 2016, and 5.8% in fiscal year 2017. Unemployment rates have decreased significantly since the recession, from highs in 2011 of over 13% to an unemployment rate of 4.0% in June of 2017, which was slightly lower than the national average of 4.4%. There has been improvement in the local economy in fiscal years 2016 and 2017 with the return of meaningful residential and commercial construction activity.

To meet water demands in the future, TMWA prepared a very detailed Water Resource Plan (WRP) for the years 2016-2035 during fiscal year 2016. That plan was adopted by the Board in March 2016, and was previously updated during fiscal year 2010. This extensive plan document addresses current water resources, future water resources, and water rights availability as well as defined drought standards which conclude that TMWA can utilize the aforementioned water resources to meet incremental water demands required by growth for the next twenty years and beyond. The focal point of the WRP is the population and water demand forecasts for the TMWA consolidated water utility service territory.

Historically, to complement this water resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2010-2030 was developed. The original WFP was adopted by the TMWA Board in December of 2004 and updated in 2010. The WFP evaluates the infrastructure required to supply, treat and deliver water to customers over the life of the plan and determines infrastructure requirements in Capital Improvement Plan needs to serve growth based upon population and water demand forecasts in the WRP. An updated WFP is currently being developed based on water demand projections defined in the 2016-2035 WRP. For fiscal year 2017, TMWA's Board approved a 2017-2021 Capital Improvement Plan with a five year spending level of \$153.4

million which focuses spending primarily on water system reconstruction. Spending on the acquisition of water rights has been essentially suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments for the foreseeable future, although opportunistic purchases will be considered.

TMWA is a very active supporter and participant in the process of negotiating and implementing the Truckee River Operating Agreement (TROA), as are the TMWA member agencies including the cities of Reno and Sparks, and Washoe County. TMWA is a primary signatory to the TROA along with the Pyramid Lake Paiute Tribe (PLPT), the States of Nevada and California, and the Federal Government. TROA is intended to provide TMWA customers with benefits regarding a new, revised operation of the Truckee River system that provides additional drought supplies for existing as well as new customers. These lengthy and complex negotiations, which include interstate allocations of Truckee River water rights, were concluded when TROA was signed by the aforementioned parties on September 6, 2008 at a signing ceremony in Reno. TMWA made available to the PLPT certain water rights that met requirements to put TROA into effect in October 2015. In November 2015 remaining related lawsuits were dismissed and TROA became effective December 1, 2015 providing significant additional drought resources for TMWA's service area and completing a multi-decade effort.

Additional upstream reserves were acquired when TMWA reached an agreement with the Truckee-Carson Irrigation District (TCID) to purchase TCID's half interest in Donner Lake assets. This purchase grants TMWA 100% interest in Donner Lake water rights and storage rights thus increasing TMWA's rights by 4,750 acre feet. On December 16, 2015 the TMWA Board agreed to purchase TCID's Donner Lake assets for the appraised value of \$17,445,000 less credits for various dam improvements previously performed by TMWA. On March 29, 2016 the final settlement was executed and TMWA paid TCID \$17,187,041 to acquire the rights to Donner Lake assets.

To further drought resiliency for the community that TMWA serves, TMWA constructed the North Valley's Integration Project which ties in the Fish Springs Ranch infrastructure into TMWA's North Valleys water system providing access to approximately 8,000 acre feet of groundwater resources in the Honey Lake ground water basin which is located approximately 35 miles north of the Reno-Sparks metropolitan area. This project was completed in fiscal year 2017.

Since the implementation of TROA, TMWA's Privately Owned Stored Water (POSW) has more than doubled. Record precipitation in Western Nevada during the last winter season ended drought conditions for the TMWA service area. TMWA does not expect to need to use POSW to serve customers for the next two to three years. When combining TMWA's existing POSW surface water resources, the groundwater resources of the Honey Lake basin, the extensive drought storage benefits of TROA and the expansion of Aquifer Storage and Recovery (ASR) groundwater recharge efforts, the TMWA service area will benefit significantly from a drought resiliency standpoint.

WATER QUALITY

TMWA's highest priority is the protection of public health through modern water treatment techniques and water quality monitoring efforts. TMWA's primary source of water is the Truckee River, which sources at Lake Tahoe and other tributaries to the Truckee River, travels into Nevada through the Reno-Sparks Metropolitan area with the terminus of the river at Pyramid Lake, a distance of approximately 120 miles. The river's water quality is excellent; however, additional steps are taken to purify the water to meet safe drinking water standards that were set forth by the United States Department of Environmental Protection in the early 1990's. TMWA owns and operates the 84 million gallons per day (MGD) Chalk Bluff Water Treatment Plant and the 37.5 MGD Glendale Water Treatment Plant. Attesting to TMWA's commitment to the protection of public health, TMWA's Chalk Bluff Water Treatment Plant received the President's Award from the Partnership for Safe Water in 2015. This prestigious recognition places the Chalk Bluff plant as one of 29 surface water treatment plants in the United States that have been so recognized. This recognition exemplifies TMWA staff's experience, passion, and commitment to producing and delivering outstanding water quality to customers. TMWA has requalified for this award successfully on an annual basis.

TMWA spends approximately \$1 million annually monitoring water quality by analyzing nearly 11,000 samples at over 150+ locations throughout the TMWA water system. TMWA strictly complies with current drinking water standards, including the revised arsenic standards as promulgated by the United States Environmental Protection Agency, and administered by the Nevada Department of Environmental Protection, Bureau of Safe Drinking Water.

WATER CONSERVATION

Water conservation has been and will continually be a high priority at TMWA. Prudent use of the area's water resources extends this vital resource through periods of dry weather patterns in this high desert climate. These conservation efforts also reduce or defer further investments in expensive new plant infrastructure which moderates the fiscal impact on water rates. The purpose of water conservation at TMWA is to promote wise use of water through a number of initiatives. TMWA's conservation programs were designed to achieve 10% annual water savings as part of the conservation goal agreed to in the 1996 Water Conservation Agreement between TMWA's predecessor SPPCo, the Pyramid Lake Paiute Tribe, and the United States. The backbone of water conservation in the Truckee Meadows has been the Water Meter Retrofit Program. With the success of that program the final conversion of flat rate customers to metered billing occurred in October of 2015 resulting in essentially all TMWA and former Washoe County customers paying for the water they use.

The Water Meter Retrofit Program

In 1995, the conversion of Sierra Pacific's (now TMWA's) 44,651 flat rate services to metered services began. As of June 30, 2015, TMWA estimates that less than 300 small unit residential and multi-unit metering facilities remain to be installed. Developers, through a charge of \$1,830 for every acre-foot of new water demand, provide funding for this project. These funds are considered restricted cash assets as represented on TMWA's statement of net position.

Assigned Day Watering

TMWA implemented a three days a week watering schedule during the summer of 2010 supplanting the twice a week watering schedule which had been in effect for two decades prior. This new program was well received by the community and resulted in no more water usage than the twice a week schedule and a reduced peak day demand on the water system facilities.

Landscape Efficiency Program

This program promotes the use of attractive drought tolerant plants for the high desert climate experienced in Western Nevada. The program includes help with landscape augmentation that is available to institutional irrigation customers as well as certain commercial customers participating in an irrigation program based on data supplied by evaporation-transpiration sensing equipment. This equipment controls the amount of irrigation based upon moisture levels in turf areas. Also during periods of wet weather patterns, irrigation is deferred until such time as turf moisture levels indicate irrigation must be applied.

Water Audit Program

This program assists TMWA customers in the evaluation of both indoor and outdoor water use. TMWA water conservation consultants visit residents and businesses to measure the amount of water applied to lawns and landscape. After evaluation of information, recommendations are made to the customer on how to minimize consumption while preserving their landscape. This program also looks for leaks within and outside the home and promotes efficient indoor water use.

FINANCIAL INFORMATION**Internal Controls**

TMWA employs various internal controls for the safeguarding of assets against losses from unauthorized use or disposition. TMWA's management is responsible for establishing and maintaining a system of internal controls designed to meet these objectives. Another purpose of internal controls is to ensure that accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing internal controls, management weighs the cost to implement such controls over the benefits derived from implementing such controls. TMWA management is constantly looking for opportunities to improve or redesign internal controls. A key component of TMWA's internal controls is its budgetary controls.

Budgetary Controls

TMWA is legally required to prepare, present to the TMWA Board and adopt an annual budget in conformance with Chapter 354 of the Nevada Revised Statutes. These statutes comprise the Administration of Local Government Finance Act, which stipulates that the Board be presented with a tentative budget by April 15 of each year, with formal adoption of the budget after a public hearing in May of each year. The adopted budget is then filed with the Nevada Department of Taxation.

TMWA is also required to prepare a Capital Improvement Plan for review and formal acceptance by the TMWA Board. This plan is a comprehensive compilation of all capital projects and capital outlays expected during the ensuing five fiscal year period. TMWA's Board is kept informed of TMWA's financial performance throughout the fiscal year at scheduled Board meetings. The General Manager, as the chief administrative officer, is authorized to approve all expenses that are within the approved budget. This authority is conferred upon the General Manager by virtue of the TMWA Cooperative Agreement between the City of Reno, City of Sparks, and the County of Washoe. This arrangement allows for the efficient operation of TMWA. TMWA routinely prepares five year financial forecasts in conjunction with the Capital Improvement Plan.

BUDGET ANALYSIS AND VARIANCES

Actual total operating revenues of \$97.3 million were \$1.8 million or 1.9% above the revised budget for fiscal year ended June 30, 2017. Charges for water sales were \$1.5 million or 1.6% over budget. TMWA water sales were higher due to a record number of days with no precipitation in the area during July and August of 2016, the peak of the irrigation season. Even so, customers continue to practice responsible water use. As a consolidated water utility, even with population growth in the service area, water usage has decreased by 5% since fiscal year 2014, mainly due to conservation efforts implemented during drought periods.

Total operating expenses of \$82.5 million were approximately \$3.5 million under the budget of \$86.0 million. Operating expenses before depreciation were \$2.5 million under budget. Service and supplies expenses were \$1.7 million under budget due to savings on electrical expenses of \$1.1 million as operators continue to apply power management practices to the consolidated water systems. Claims for Mt. Rose domestic well mitigation (see footnote 8 Contingent Liabilities) were \$0.2 million under budget. Spending on operating salaries and wages was \$1.1 million less than budget due mainly to vacant positions and turnover, while employee benefit spending was \$0.3 million higher than budget. Actuarial evaluations related to GASB No. 68 resulted in proportionately higher pension expense and liability allocated to TMWA due to employee headcount increases in fiscal year 2016.

Total net nonoperating revenues and expenses were \$3.5 million favorable to budget. This variance was primarily due to higher investment earnings. As part of the 2017 bond refunding, there were releases of forward delivery agreements with JP Morgan and Bank of New York Mellon. These banks will no longer be required to provide a 5.5% interest rate on a portion of TMWA's debt reserves and O&M reserves balances, so they paid TMWA \$5.1 million dollars total for the release of this commitment. Offsetting were higher bond issuance costs of \$0.7 million. TMWA originally budgeted for a competitive sale of its 2017 bond refunding, but decided to use an underwriter due to the volatility in the bond market at the time of the offering.

Capital contributions of \$43.4 million were \$11.9 million above budget. Cash contributions from developers were \$1.1 million greater than budget and were attributable to increasing levels of residential construction activity as the local economy improves. Developer infrastructure contributions are not included in the budget, but total \$10.8 million in noncash contributions in fiscal year 2017.

Total capital spending was approximately \$31.1 million for fiscal year 2017, which was approximately \$0.8 million less than the \$31.9 million planned in the augmented capital budget.

As reflected in the Statement of Cash Flows, TMWA funded the operating budget, debt service requirements and capital spending from operating revenues, capital contributions and investment income. As of June 30, 2017, TMWA has approximately \$132.2 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2017 with respect to funding cash reserves. TMWA's renewal and replacement reserve is fully funded at \$10 million. The operations and maintenance reserve fund, which TMWA is required to maintain at a balance equal to one-sixth of TMWA's revised final operating budget, contained \$8.8 million as of June 30, 2017. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million included as a reservation of unrestricted net position.

TMWA MILESTONES


TMWA, now in its sixteenth year of operation, was successful in obtaining an upgrade in its credit rating with Standard and Poor's from AA to AA+, and retaining its credit rating (Aa2) with Moody's. Both rating agencies continued to maintain a stable outlook for TMWA.

ACKNOWLEDGEMENTS

The timely preparation of this report could not be done without the assistance of TMWA finance personnel, the management team and employees of TMWA. We would like to thank the Board of Directors, TMWA customers, and the development community, for their commitment to the long-term operational and financial stewardship of TMWA.



Mark Foree, P.E.
General Manager



Michele Sullivan, CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2017**

TMWA Board of Directors

Geno Martini, City of Sparks Mayor, Chairman of the Board

Vaughn Hartung, Washoe County Commissioner, Vice Chair

Jenny Brekhus, City of Reno Council Member

Naomi Duerr, City of Reno Council Member

Jeanne Herman, Washoe County Commissioner

Neoma Jardon, City of Reno Council Member

Ron Smith, Sparks Council Member

Management

Mark Foree, PE, General Manager

Scott Estes, PE, Director of Engineering

Mike Pagni, General Counsel

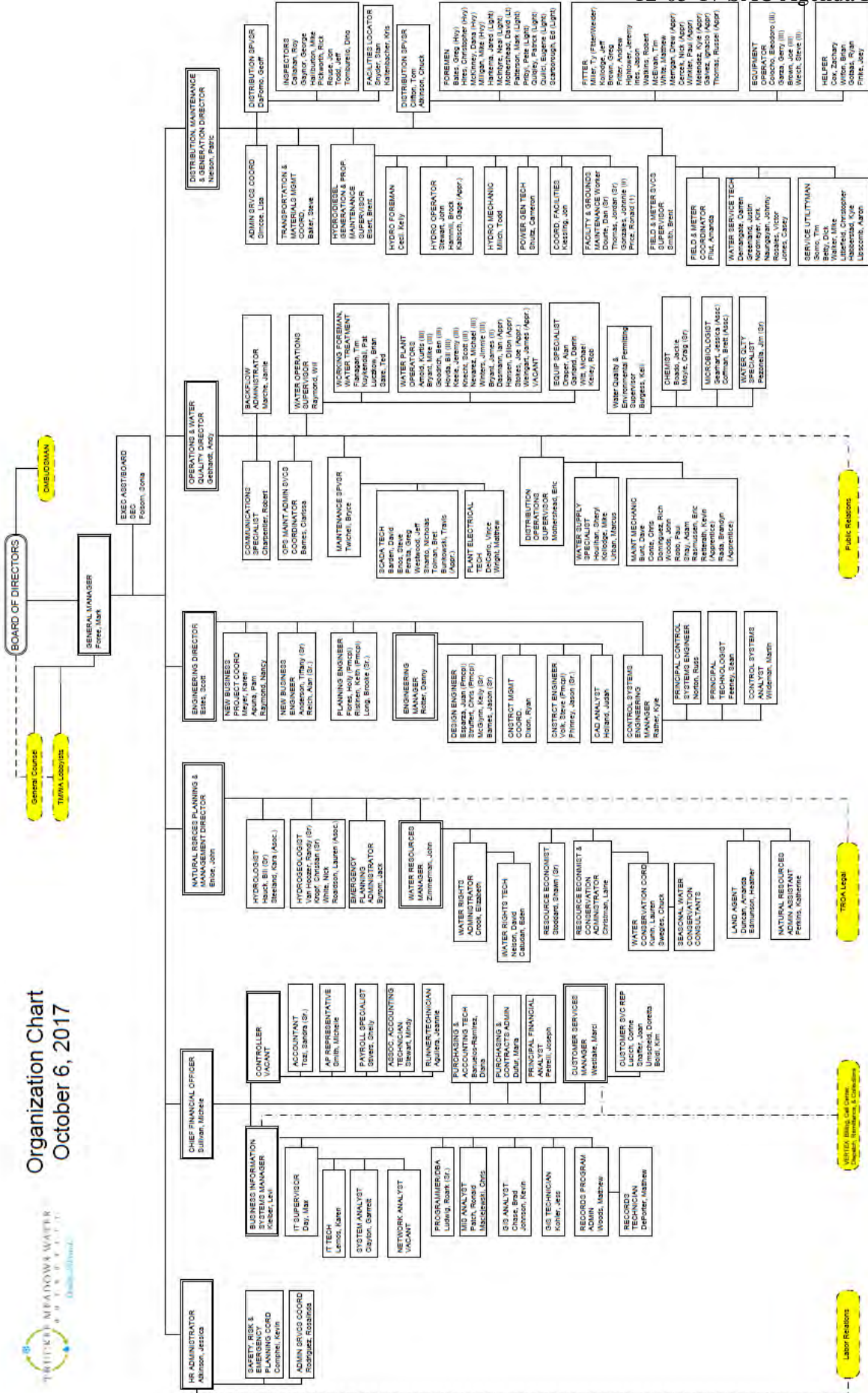
John Enloe, Director of Natural Resources Planning and Management

Andy Gebhardt, Director of Operations and Water Quality

Pat Nielson, Director of Distribution, Maintenance, and Generation

Michele Sullivan, CPA, Chief Financial Officer

Organization Chart
October 6, 2017





Government Finance Officers Association

Certificate of
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Presented to

Truckee Meadows Water Authority
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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Independent Auditor's Report

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

Report on the Financial Statements

We have audited the accompanying statements of net position of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA), as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the TMWA'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 an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and, cash flows for the years 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 pages 17 through 26, the schedule of funding progress – other postemployment benefit plans on page 62, the schedule of TMWA's share of net pension liability on page 63, and the schedule of TMWA's contributions on page 64 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMWA's basic financial statements. The introductory section, the schedules of revenues, expenses and changes in net position – budget and actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TMWA's 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 TMWA's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015. This section should be read in conjunction with the transmittal letter at the front of this report and TMWA's financial statements following this section.

Transfer of operations of the Washoe County Water Utility (WCWU) and the merger of the South Truckee Meadows General Improvement District (STMGID) into TMWA in fiscal year 2015, had a material impact on TMWA's financial statements. The assets and liabilities and net position of the WCWU transfer of operations were measured and incorporated in TMWA's financial statements as of January 1, 2015, with operating and non-operating revenues and expenses accounted for prospectively from that date. The asset, liabilities and net position of the STMGID combination were measured as of July 1, 2014 and the entire fiscal year of operating and non-operating revenues and expenses were accounted for in TMWA's financial statements from that date.

FINANCIAL HIGHLIGHTS

TMWA's Net Position (in millions)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Unrestricted Current Assets	\$ 149.2	\$ 116.0	\$ 130.2
Restricted Current Assets	8.6	21.5	22.4
Long-Term Restricted and Other Assets	33.7	66.8	69.1
Capital Assets, net	941.7	930.8	905.6
Total Assets	<u>1,133.2</u>	<u>1,135.1</u>	<u>1,127.3</u>
Deferred Outflow of Resources	<u>17.4</u>	<u>10.2</u>	<u>9.2</u>
Total Assets & Deferred Outflow of Resources	<u>1,150.6</u>	<u>1,145.3</u>	<u>1,136.5</u>
Total Current Liabilities	108.5	123.1	133.8
Long Term Debt Outstanding	372.3	406.7	410.8
Net Pension Liability	<u>35.8</u>	<u>26.9</u>	<u>22.3</u>
Total Liabilities	<u>516.6</u>	<u>556.7</u>	<u>566.9</u>
Deferred Inflow of Resources	<u>2.5</u>	<u>3.6</u>	<u>5.7</u>
Net Investment in Capital Assets	529.7	478.5	444.4
Restricted	28.6	40.6	42.2
Unrestricted	<u>73.2</u>	<u>65.9</u>	<u>77.3</u>
Total Net Position	<u>\$ 631.5</u>	<u>\$ 585.0</u>	<u>\$ 563.9</u>

Financial Position

Fiscal Year 2017 Summary

In the fiscal year ended June 30, 2017, total net position increased by approximately \$46.5 million, the result of recording operating income, net nonoperating income and increasing capital contributions.

Total Unrestricted Current Assets increased by \$33.2 million from June 30, 2016. Unrestricted cash increased \$32.4 million due to several transactions, some of which were one-time in nature. Cash received in an insurance settlement of \$11.8 million was related to damage at the Farad hydroelectric plant. After many years of litigation, this case was settled in fiscal year 2017. \$5.1 million in cash was received related to the release of commitments with two banks which provided guaranteed interest rates of 5.5% on TMWA's Debt Service Reserve Fund and Operating and Maintenance Reserve balances. In fiscal year 2017, TMWA refunded its 2007 Bonds, and is no longer required to keep a minimum debt service reserve fund related to Senior Lien Debt. This released \$32.9 million from Long-Term Restricted and Other Assets, which drives the change of \$32.5 million in that asset category. The \$32.9 million was used to pay down the senior lien debt outstanding in the 2017 bond refunding. Restricted Current Assets decreased by \$12.9 million. This is mainly due to a decrease in cash reserved for current debt service. Total cash balances, both restricted and unrestricted decreased by \$13.0 million in fiscal year 2017.

Most of TMWA's net position is in Capital Assets. Capital Assets, net of accumulated depreciation increased by \$10.9 million in fiscal year 2017 as increases in capital assets from capital expenditures and contributions were greater than depreciation expense. Depreciation expense was \$32.2 million.

Deferred Outflows of Resources increased \$7.2 million due to higher allocations for pension liabilities based on the actuarial analysis performed for Nevada Public Employees Retirement System (NVPERS).

Long Term Debt Outstanding decreased \$34.4 million due to the 2017 bond refunding, and Total Current Liabilities also decreased \$14.6 million due to lower current portion of debt and interest outstanding. Net Pension Liability increased \$8.9 million and relates to TMWA's proportionate share of the net pension liability of the NVPERS.

Fiscal Year 2016 Summary

In the fiscal year ended June 30, 2016, total net position increased by approximately \$21.1 million, the result of recording operating income, net nonoperating income and capital contributions.

Total Unrestricted Current Assets decreased by \$14.2 million from June 30, 2015. The overall decrease was mainly due to a decrease in due from other governments by \$10.1 million as a result of final cash balances transferred in fiscal year 2016 related to WCWU and STMGID treasury balances, and a decrease in unrestricted cash by \$5.2 million. Offsetting was an increase in accounts receivable of \$1.0 million due to slightly greater water sales at year end. Total Restricted Current Assets decreased by \$1.0 million, mainly due to a decrease in current bond debt service

reserves. Long-Term Restricted and Other Assets decreased by \$2.3 million due to a decrease in restricted renewal and replacement reserve of \$4.6 million mainly due to the use of STMGID reserves for rehabilitation on the former STMGID service area. Offsetting were increases in restricted cash for bond debt service by \$1.6 million and an increase in the operations and maintenance reserve by \$1.2 million due to an increase in the operating expense budget as a result of a full year of merged water utility operations.

Capital Assets, net of accumulated depreciation increased by a net \$25.2 million during the year ended June 30, 2016 as increases in capital assets from capital expenditures and contributions were greater than depreciation expenses. TMWA purchased water rights in Donner Lake for an appraised value of \$17.4 million. Capital spending also included \$9.3 million in construction spending for a 24-inch main in the North portion of the service area to integrate water from Fish Springs, providing a new source of water for this portion of the system. Depreciation expense was \$32.1 million.

Deferred Outflow of Resources increased by \$1.0 million mainly due to \$3.4 million increase in deferred outflows of resources recorded related to pensions, and an increase in deferred outflows of \$3.1 million recorded for the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2016 refunding of its 2006 bonds. Offsetting was amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, 2014, 2015A and 2016 advanced refundings of \$5.5 million.

Total Current Liabilities decreased \$10.7 million. Current portion of long term debt decreased by \$6.9 million mainly due to paydown of Commercial Paper by \$7.2 million. Other decreases were in accounts payable which decreased by \$1.5 million and due to other governments which decreased by \$0.7 million. Current interest payable decreased by \$2.7 million, while principal payments due increased by \$1.4 million. Net Pension Liability increased by \$4.6 million and relates to TMWA's proportionate share of the net pension liability of the NVPERS.

TMWA's Changes in Net Position
(in millions)

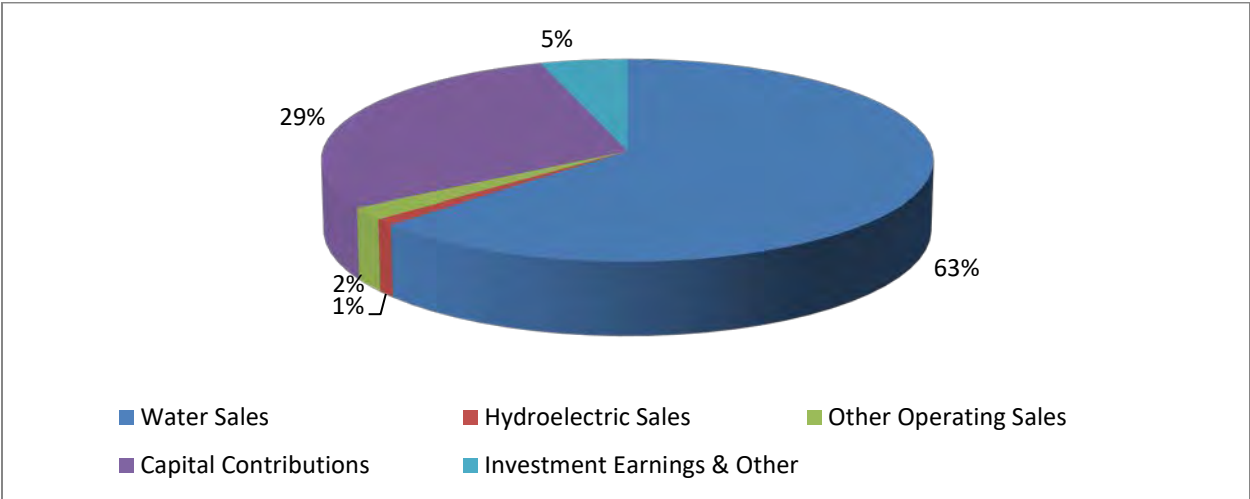
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Operating Revenues	\$ 97.3	\$ 91.9	\$ 90.0
Operating Expenses	82.5	80.6	70.1
Operating Income	<u>14.8</u>	<u>11.3</u>	<u>19.9</u>
Nonoperating Revenues (Expenses) net	<u>(11.7)</u>	<u>(9.5)</u>	<u>(23.5)</u>
Income before Capital Contributions	3.1	1.8	(3.6)
Capital Contributions	43.4	19.3	19.6
Special Item - WCWU transfer of operations	<u>-</u>	<u>-</u>	<u>231.5</u>
Change in Net Position	<u>46.5</u>	<u>21.1</u>	<u>247.5</u>
Net Position - BOY, as previously reported	585.0	563.9	311.6
Prior period adjustment for GASB 68	-	-	(24.9)
Prior period adjustment for STMGID merger	<u>-</u>	<u>-</u>	<u>29.7</u>
Net Position - BOY, as restated	<u>585.0</u>	<u>563.9</u>	<u>316.4</u>
Net Position - EOY	<u>\$ 631.5</u>	<u>\$ 585.0</u>	<u>\$ 563.9</u>

TMWA's Revenues
(In millions)

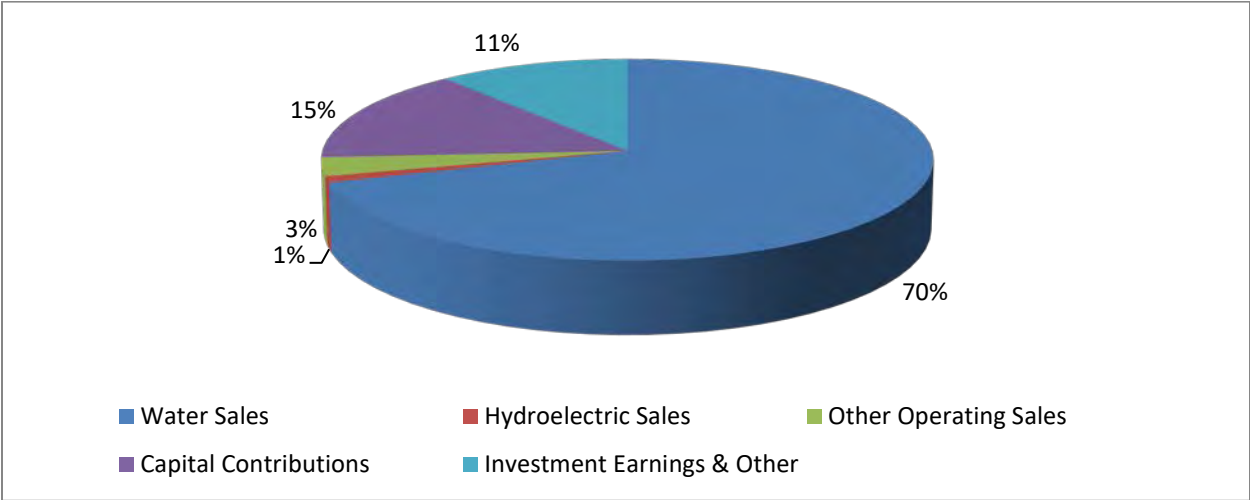
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues			
Operating Revenues			
Water Sales	\$ 92.7	\$ 87.5	\$ 86.2
Hydroelectric Sales	1.8	1.2	1.4
Other Operating Sales	2.8	3.2	2.4
	<u>97.3</u>	<u>91.9</u>	<u>90.0</u>
Nonoperating Revenues			
Investment Earnings	7.2	6.7	2.1
Other	-	6.5	0.3
	<u>7.2</u>	<u>13.2</u>	<u>2.4</u>
Capital Contributions	<u>43.4</u>	<u>19.3</u>	<u>19.6</u>
Total Revenues	<u>\$ 147.9</u>	<u>\$ 124.4</u>	<u>\$ 112.0</u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2017, 2016 and 2015:

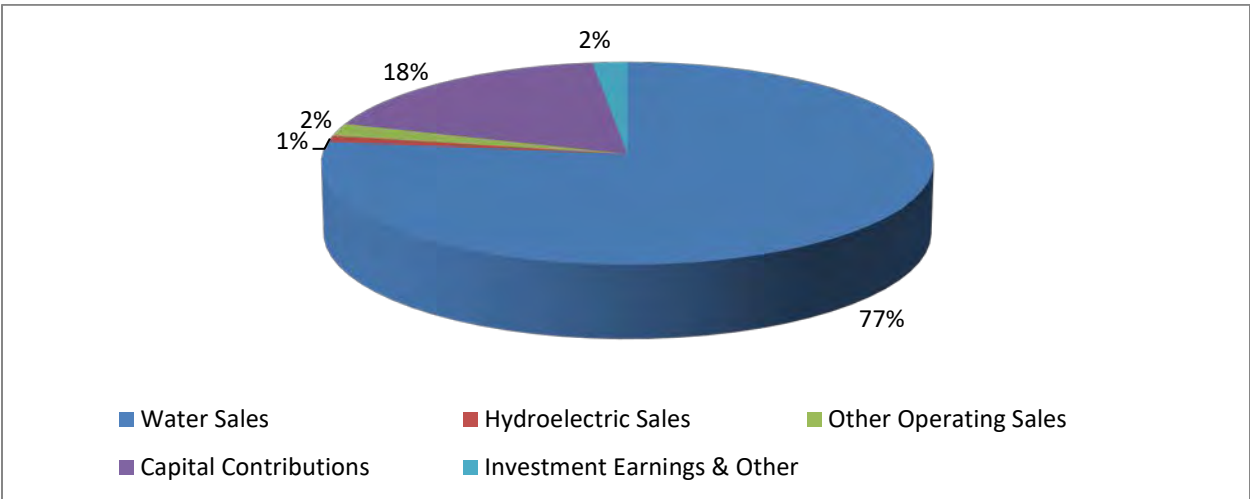
Total Revenues for the Year Ended June 30, 2017



Total Revenues for the Year Ended June 30, 2016



Total Revenues for the Year Ended June 30, 2015



Results of Operations-Revenues

Fiscal Year 2017 Summary

For fiscal year 2017, total operating revenues increased \$5.4 million from fiscal year 2016. Water Sales were \$92.7 million, \$5.2 million or 5.9% greater than in fiscal year 2016. Water Sales were higher mainly due to a record number of days with no precipitation in the service area during July and August of 2016, the peak of the irrigation season, which resulted in significant increases in water usage. A 3% rate increase implemented in the first billing cycle of May, 2017 also contributed \$0.5 million in additional Water Sales revenue to fiscal year 2017. Hydroelectric Sales were \$0.6 million or 52.2% greater than fiscal year 2016, due to higher river flows which allowed for more opportunity to operate hydroelectric generation plants. Other Operating Sales were \$0.4 million lower than fiscal year 2016, mainly due to additional fees collected in fiscal year 2016.

Investment Earnings were \$7.2 million in fiscal year 2017, \$0.5 million or 7.0% greater than fiscal year 2016. This is mainly due to termination of two forward delivery agreements, one with JP Morgan, and one with Bank of New York Mellon, as part of the 2017 bond refunding. These banks are no longer required to provide a 5.5% interest rate on a portion of TMWA's debt reserves and O&M reserves balances, so they paid TMWA \$5.1 million dollars for the release of these commitments. In the prior year ended 2016, TMWA received a similar settlement from Bank of America for \$4.4 million as part of the 2016 bond refunding. In fiscal year 2017, there were no Other Nonoperating Revenues, and in fiscal year 2016 there were \$6.2 million mainly due to \$7.0 million in water rights sold to the Pyramid Lake Paiute Tribe as part of the implementation of TROA, offset by a \$0.6 million loss on disposal of assets.

For fiscal year 2017, Capital Contributions increased by \$24.1 million. This increase was primarily due to a contribution from NV Energy from a court awarded payment by their insurers for flood damage to the Farad Hydroelectric Plant river diversion dam for \$11.8 million, that was paid to TMWA in accordance with an agreement with NVE. Various developer connection fees and water rights will-serve sales increased by \$9.4 million or 95.8% due to more robust residential construction, as the economy improves in the TMWA service area. Developer contributed infrastructure was \$10.8 million, an increase of \$2.3 million or 27.7% due to increased construction in the service area. Grants received were \$1.2 million, or \$1.0 million greater than fiscal year 2016 due to grants received related to TROA implementation.

Fiscal Year 2016 Summary

For fiscal year 2016, total operating revenues increased \$1.9 million from fiscal year 2015. Water Sales were \$87.5 million, \$1.3 million or 1.56% greater than in fiscal year 2015. Water Sales were less than expected from the first full year as a consolidated water utility by \$7.8 million due mainly due to conservation. Hydroelectric Sales decreased by \$0.2 million or 14.0% due to lower river levels early in the fiscal year 2016. Other Operating Sales increased by \$0.8 million or 30.0% due to additional fees collected related to increasing construction activity. Investment Earnings were higher by \$4.6 million in fiscal year 2016 due to a payment from Bank of America. As part of the 2016 bond refunding, there was a partial release of a forward delivery agreement with Bank of America, and they will no longer be required to provide a 5.5% interest rate on a portion of TMWA's debt reserves balance. Bank of America paid TMWA \$4.4 million dollars for the release

of this commitment. Other Nonoperating Revenue increased \$6.2 million mainly due to \$7.0 million in water rights sold to the Pyramid Lake Paiute Tribe as part of the implementation of TROA. Offsetting was a \$0.6 million loss on disposal of assets.

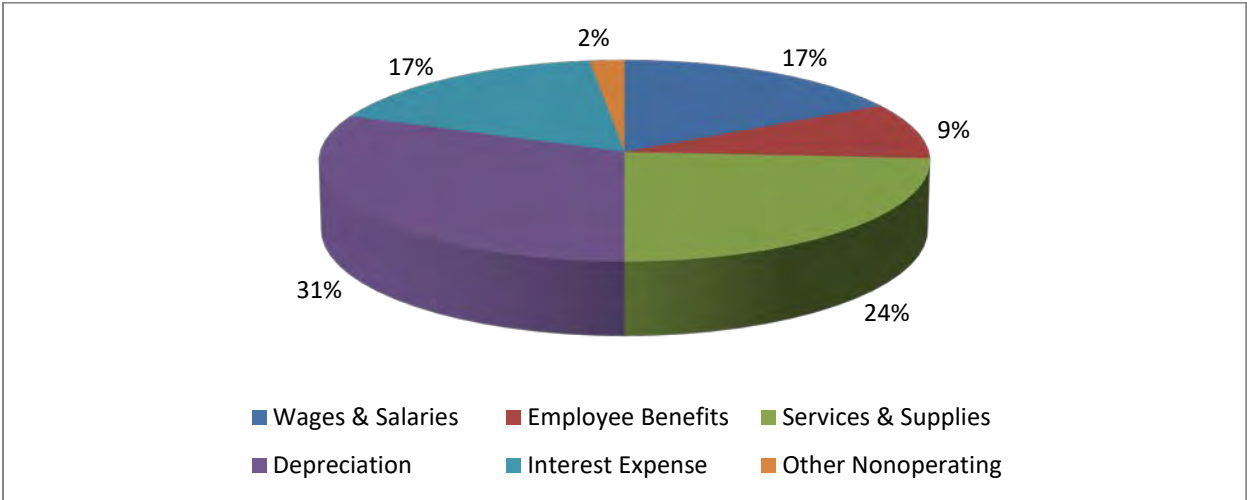
For fiscal year 2016, Capital Contributions decreased by \$0.3 million from fiscal year 2015. This decrease was mainly due to the Farad Hydroelectric Plant river diversion dam settlement payment for \$9.6 million received from NV Energy as settlement with their insurers in fiscal year 2015. Offsetting were developer infrastructure contributions of \$8.5 million, \$5.8 million higher than fiscal year 2015. This is mainly due to increasing residential construction activity. Sales of water rights will-serves of \$4.4 million, \$2.5 million higher than fiscal year 2015, were also indicative of this construction trend.

TMWA's Expenses
(in millions)

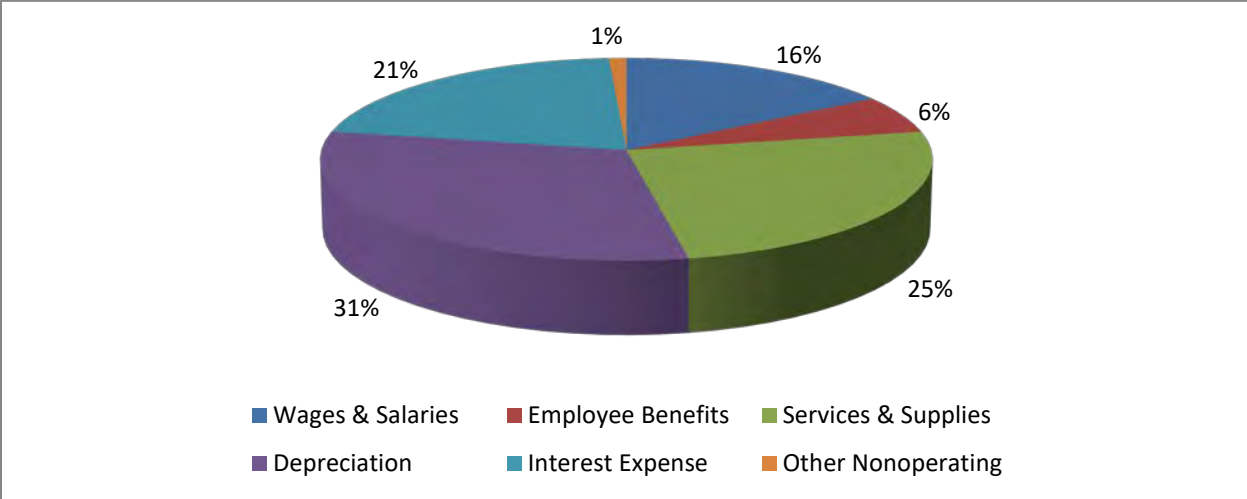
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Expenses			
Operating Expenses			
Wages & Salaries	\$ 17.3	\$ 16.5	\$ 13.8
Employee Benefits	9.0	6.4	5.2
Services & Supplies	24.0	25.6	23.2
Depreciation	32.2	32.1	27.9
	<u>82.5</u>	<u>80.6</u>	<u>70.1</u>
Nonoperating Expenses			
Interest Expense	17.0	21.5	21.3
Other Nonoperating Expenses	1.9	1.2	4.6
	<u>18.9</u>	<u>22.7</u>	<u>25.9</u>
Total Expenses	<u>\$ 101.4</u>	<u>\$ 103.3</u>	<u>\$ 96.0</u>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2017, 2016 and 2015:

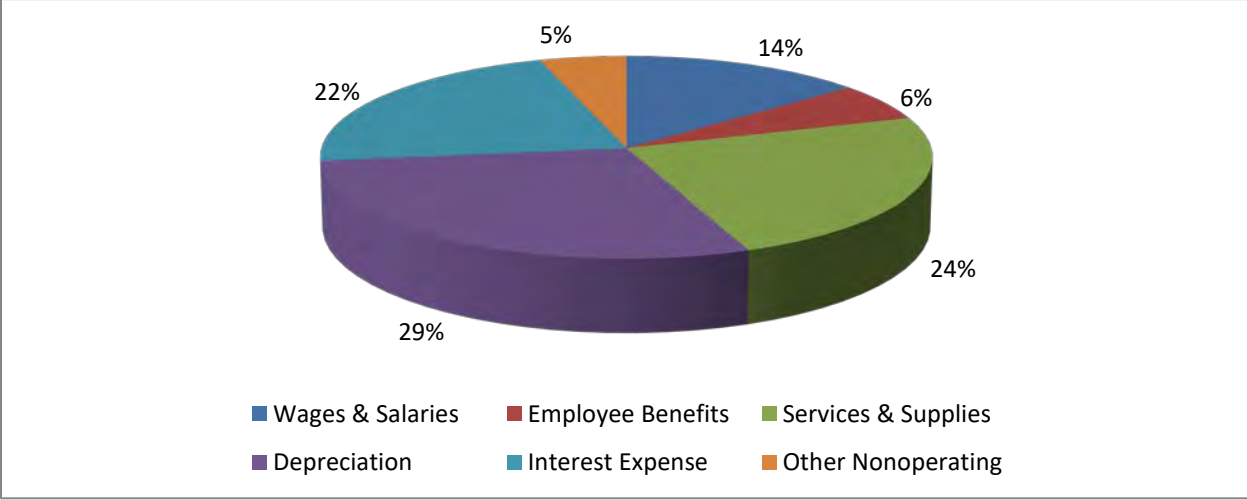
Total Expenses for the Year Ended June 30, 2017



Total Expenses for the Year Ended June 30, 2016



Total Expenses for the Year Ended June 30, 2015



Results of Operations-Expenses

Fiscal Year 2017 Summary

Operating expenses were \$82.5 million, \$1.9 million or 2.3% higher than fiscal year 2016. Spending on Wages and Salaries was \$0.8 million or 4.32% higher, due to a modest wage increase of approximately 2%, promotions and addition of two employees. Employee Benefits were \$2.6 million or 42.2% higher mainly due to a \$2.3 million increase in NVPERS actuarial estimates related to the proportion of TMWA's pension liability. Spending on Services and Supplies was \$1.6 million or 6.2% less than prior year. Expenses related to the repair of Fleish penstock project were expensed for a loss of \$0.6 million in the prior year. Power costs were lower by \$0.2 million in the current year, and professional services were lower \$1.2 million due to work performed internally, especially in hydrology and construction engineering. Offsetting were \$0.2 million in higher chemicals expenses.

Net Nonoperating Expenses were favorable \$3.8 million as compared to prior year. Lower interest expense in 2017 by \$4.5 million was due to the 2016 bond refunding. Other Nonoperating Expenses were \$0.7 million unfavorable due to decrease in fair value of investments by \$0.4 million, and payment of \$0.2 million in litigation settlements.

Fiscal Year 2016 Summary

Operating expenses were \$80.6 million, \$10.5 million or 15% higher than fiscal year 2015. Wages and Salaries increased \$2.8 million mainly due to the transfer of 25 positions from the Washoe County Water Utility (WCWU) to TMWA, which occurred halfway through fiscal year 2015. In 2016, those employees were with TMWA for a full year. A modest wage increase of approximately 2% added approximately \$0.3 million to total operating wages and salaries. Also, three key directors retired in 2016, and several months of overlapping payroll were required to ensure a smooth transition of duties to new management. Employee Benefits increased by \$1.1 million. The main contributor to this increase was WCWU employees were with TMWA for a full year in 2016. TMWA's employee health benefits premiums also increased by 20% in January of 2016. Health insurance premiums had not changed for three years prior. Services and Supplies expense increased \$2.4 million, and Depreciation expense increased \$4.2 million and are both directly attributable to the water utility merger.

Total Nonoperating Expenses decreased by \$3.2 million to \$22.7 million in fiscal year 2016 from \$25.9 million in fiscal year 2015. The primary reason for the decrease is non-operating expenses related to the merger of \$3.0 million incurred in fiscal year 2015. Offsetting were higher net interest expense of \$0.3 million, and higher amortization of bond/note issuance costs of \$0.2 million year over year.

CAPITAL ASSETS

At June 30, 2017, TMWA's total capital assets were \$1,330.9 million before accumulated depreciation of \$389.2 million, for a net book value of \$941.7 million. Included in the total capital assets reported on the Statement of Net Position was \$20.8 million in construction work in progress.

At June 30, 2016, TMWA's total capital assets were \$1,288.1 million before accumulated depreciation of \$357.3 million, for a net book value of \$930.8 million. Included in the total capital assets reported on the Statement of Net Position was \$17.7 million in construction work in progress.

Detailed information about TMWA's capital assets can be found in Note 5 to TMWA's financial statements.

LONG-TERM DEBT

At June 30, 2017, TMWA had \$458.3 million in total reported debt outstanding. This amount reflects \$407.1 million in total outstanding principal indebtedness, and \$51.2 million net bond premium. Of the \$407.1 million in total reported debt outstanding, \$86.1 million was due within in one year and is classified as short term indebtedness. Included in short term debt is TMWA's tax exempt commercial paper notes (TECP). TMWA intends to re-market the \$83.4 million in outstanding tax-exempt commercial paper notes as maturities come due, but all the TECP is classified as a short term indebtedness since the TECP notes mature in less than or equal to 270 days.

Total outstanding principal indebtedness of \$407.1 million as of June 30, 2017 reflects a decrease of \$73.2 million or 15.2% from total outstanding principal of \$480.3 million as of June 30, 2016. Total outstanding principal indebtedness of \$480.3 million as of June 30, 2016 reflects a decrease of \$34.4 million or 6.7% from total outstanding principal of \$514.7 million as of June 30, 2015.

During fiscal year 2017, TMWA received credit ratings from Standard and Poor's of AA+, an upgrade from AA in fiscal year 2016, and maintained ratings from Moody's of Aa2.

Detailed information about TMWA's indebtedness can be found in Note 6 to TMWA's financial statements.

CONTACTING TMWA's FINANCIAL MANAGEMENT

This financial report was prepared for the benefit of the customers, bond investors, and the Board of Directors of the Truckee Meadows Water Authority. The Comprehensive Annual Financial Report was prepared to provide interested parties with a general overview of the Truckee Meadows Water Authority's accountability for the financial resources it manages. For questions or additional information, please contact the Truckee Meadows Water Authority's Finance Department at P.O. Box 30013, Reno, Nevada 89509-3013.

Truckee Meadows Water Authority
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and investments	\$ 132,203,954	\$ 99,764,684
Accounts receivable, net	14,803,390	13,580,981
Due from others	333,417	313,955
Due from other governments	9,559	45,969
Interest receivable	595,161	1,048,498
Prepaid assets and other assets	1,222,604	1,243,125
	149,168,085	115,997,212
Restricted current assets		
Cash and investments		
Water meter retrofit program	2,369,793	2,084,980
Current bond debt service	6,250,183	19,395,405
	8,619,976	21,480,385
Total current assets	157,788,061	137,477,597
Restricted noncurrent assets		
Cash and investments		
Future bond debt service	3,242,632	35,390,010
Operations and maintenance	8,797,778	8,739,954
Renewal and replacement	20,672,290	21,160,870
Water rate stabilization	500,000	500,000
	33,212,700	65,790,834
Noncurrent assets		
Capital assets, not depreciated	150,655,018	147,064,145
Capital assets, depreciated	791,037,884	783,728,106
Prepaid bond insurance and other assets	510,360	1,013,985
	942,203,262	931,806,236
Total noncurrent assets	975,415,962	997,597,070
Total assets	1,133,204,023	1,135,074,667
Deferred Outflow of Resources		
Deferred amount on bond refundings	3,154,276	3,053,052
Deferred amount on net pension liability	14,239,295	7,156,688
Total deferred outflow of resources	17,393,571	10,209,740
Total Assets and Deferred Outflow of Resources	\$ 1,150,597,594	\$ 1,145,284,407

Truckee Meadows Water Authority
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Liabilities		
Current liabilities payable from unrestricted current assets		
Accounts payable	\$ 3,028,060	\$ 2,909,126
Contracts and retention payable	3,305,406	2,185,872
Accrued liabilities	3,912,372	4,000,137
Due to other governments	3,738,649	2,137,679
Accrued interest payable	384,147	315,707
Current portion of long-term debt	85,205,701	89,414,845
Customer deposits and amounts due to developers	2,729,962	2,757,239
	102,304,297	103,720,605
Current liabilities payable from restricted current assets		
Current portion of long-term debt	850,000	12,620,000
Interest payable	5,400,183	6,775,405
	6,250,183	19,395,405
Total current liabilities	108,554,480	123,116,010
Noncurrent liabilities		
Net pension liability	35,783,246	26,869,406
Long-term debt, net of current portion	372,259,981	406,696,538
Total noncurrent liabilities	408,043,227	433,565,944
Total liabilities	516,597,707	556,681,954
Deferred Inflow of Resources		
Deferred amount on net pension liability	2,410,007	3,486,191
Deferred amount on bond refundings	127,250	133,948
Total deferred inflows of resources	2,537,257	3,620,139
Total liabilities and deferred inflow of resources	519,134,964	560,302,093
Net Position		
Net investment in capital assets	506,700,472	478,543,111
Restricted for water meter retrofit program	2,369,793	2,084,980
Restricted for debt service	850,000	12,620,000
Restricted for operations and maintenance reserve	4,197,778	4,139,954
Restricted for renewal and replacement reserve	20,672,290	21,160,870
Restricted for water rate stabilization	500,000	500,000
Unrestricted	96,172,297	65,933,399
Total net position	631,462,630	584,982,314
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 1,150,597,594	\$ 1,145,284,407

Truckee Meadows Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Charges for water sales	\$ 92,687,260	\$ 87,534,332
Hydroelectric sales	1,788,934	1,175,195
Other operating sales	2,791,989	3,219,416
Total operating revenues	<u>97,268,183</u>	<u>91,928,943</u>
Operating Expenses		
Salaries and wages	17,257,014	16,541,811
Employee benefits	9,047,279	6,364,279
Services and supplies	23,980,864	25,575,227
Total operating expenses before depreciation	<u>50,285,157</u>	<u>48,481,317</u>
Depreciation	<u>32,169,578</u>	<u>32,134,190</u>
Total operating expenses	<u>82,454,735</u>	<u>80,615,507</u>
Operating Income	<u>14,813,448</u>	<u>11,313,436</u>
Nonoperating Revenues (Expenses)		
Investment earnings	7,209,113	6,737,745
Net increase (decrease) in fair value of investments	(342,257)	80,042
Gain (loss) on disposal of assets	(155,722)	6,460,373
Amortization of bond/note issuance costs	(1,183,526)	(1,219,746)
Interest expense	(16,968,911)	(21,549,864)
Other nonoperating expense	(243,000)	-
Total nonoperating revenues (expenses)	<u>(11,684,303)</u>	<u>(9,491,450)</u>
Income (Loss) before Capital Contributions	<u>3,129,145</u>	<u>1,821,986</u>
Capital Contributions		
Grants	1,226,863	224,138
Water meter retrofit program	341,074	482,081
Developer infrastructure contributions	10,797,854	8,454,980
Developer will-serve contributions (net of refunds)	7,950,666	4,363,692
Developer capital contributions-other	6,062,247	2,473,163
Developer facility charges (net of refunds)	5,116,956	2,931,940
Contributions from others	11,855,511	356,200
Net capital contributions	<u>43,351,171</u>	<u>19,286,194</u>
Change in Net Position	46,480,316	21,108,180
Net Position, Beginning of Year	<u>584,982,314</u>	<u>563,874,134</u>
Net Position, End of Year	<u>\$ 631,462,630</u>	<u>\$ 584,982,314</u>

Truckee Meadows Water Authority
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Cash received from customers	\$ 95,999,034	\$ 90,753,299
Cash paid to employees	(25,619,259)	(24,132,183)
Cash paid to suppliers	(22,492,461)	(26,198,864)
Net Cash from Operating Activities	<u>47,887,314</u>	<u>40,422,252</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(31,121,251)	(49,416,333)
Interest paid on financing	(16,172,525)	(18,904,799)
Principal paid on financing	(14,004,694)	(12,568,107)
Proceeds from refunding bonds	172,268,662	149,354,337
Redemption of commercial paper notes	(4,400,000)	(7,200,000)
Proceeds transferred to refunding escrow	(207,049,766)	(151,026,620)
Proceeds from capital debt issuance	732,529	8,239,034
Proceeds from capital asset disposal	5,340	6,460,373
Contributions for water meter retrofit program	341,074	482,081
Contributions from developers-will-serve letters	7,950,666	4,363,692
Contributions from developers-other	6,062,247	2,473,163
Contributions from developers-facility charges	5,116,956	2,931,940
Contributions from others	11,855,511	356,200
Grants	1,262,453	253,131
Bond/note issuance costs	(1,158,127)	(1,298,798)
Net Cash used for Capital and Related Financing Activities	<u>(68,310,924)</u>	<u>(65,500,706)</u>
Investing Activities		
Cash received in connection with WCWU transfer of operations	-	9,678,076
Cash received from STMGID subsequent to merger	-	162,770
Payments received on Verdi business park receivable	20,793	22,244
Interest received	7,403,545	7,233,417
Net Cash from Investing Activities	<u>7,424,338</u>	<u>17,096,507</u>
Net Change in Cash and Cash Equivalents	<u>(12,999,273)</u>	<u>(7,981,947)</u>
Cash and Cash Equivalents, Beginning of Year (including \$87,271,219 in restricted accounts)	<u>187,035,903</u>	<u>195,017,850</u>
Cash and Cash Equivalents, End of Year (including \$41,832,676 in restricted accounts)	<u>\$ 174,036,630</u>	<u>\$ 187,035,903</u>

Truckee Meadows Water Authority
Statements of Cash Flows
Year Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 14,813,448	\$ 11,313,436
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	32,169,578	32,134,190
Other nonoperating expenses	(243,000)	-
Pension expense	5,792,926	3,459,922
Pension contributions	(5,037,877)	(4,534,811)
Changes in assets and liabilities		
Accounts receivable, net	(1,222,409)	(964,744)
Due from others	(19,462)	(294,389)
Due from other governments	-	132,406
Prepaid assets	29,246	(62,219)
Accounts payable	118,934	(738,224)
Accrued liabilities	(87,763)	45,199
Due to customers and developers	(27,277)	(48,917)
Due to other governments	1,600,970	(19,597)
Total adjustments	33,073,866	29,108,816
Net Cash from Operating Activities	\$ 47,887,314	\$ 40,422,252
Non-Cash Capital and Related Financing Activities		
Developer infrastructure contributions	\$ 10,797,854	\$ 8,454,980
Amortization of bond insurance expenses	474,107	417,757
Amortization of net bond premium	(2,242,859)	(486,796)
Amortization of refunding allowances to interest expense	181,981	2,735,233
Supplemental Cash Flows Information		
Capitalization of interest expense	283,987	486,001
Capitalization of interest revenue	92,155	165,059

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Truckee Meadows Water Authority (TMWA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. A summary of the more significant accounting policies applied in the preparation of the accompanying basic financial statements follows.

Reporting Entity and Purpose

TMWA is a Joint Powers Authority (JPA) formed in November 2000 under the Joint Powers Legislation of the State of Nevada, pursuant to a Cooperative Agreement among the City of Reno, Nevada, the City of Sparks, Nevada, and Washoe County, Nevada. TMWA was formed to purchase water assets (the Water System), undertake the water utility operations, and to develop, manage, and maintain supplies of water for the benefit of the Truckee Meadows communities. TMWA purchased the existing water system originally operated by Sierra Pacific Power Company (SPPCo), now known as NV Energy, Inc.

TMWA is governed by a seven-member Board of Directors appointed by:

- Reno City Council (3 seats)
- Sparks City Council (2 seats)
- Washoe County (2 seats)

The cities and county representatives are not required to be elected officials. Modifications to the JPA were approved by the governing bodies in December 2009 which changed the at-large seat into a second seat for Washoe County. The amendments to the JPA were approved by the Attorney General's Office of the State of Nevada effective February 3, 2010. The amendments were made in anticipation of the consolidation of TMWA and Washoe County's Community Services Department's water utility (WCWU) and the merger of another water utility named South Truckee Meadows General Improvement District (STMGID). The transfer of operations of WCWU and the merger of STMGID occurred on January 1, 2015 with TMWA as the continuing entity.

Basis of Accounting

TMWA's activities are accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of the governmental entity. Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The financial statements for TMWA are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

TMWA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary activities.

When both restricted and unrestricted resources are available for use, it is TMWA's policy to use unrestricted resources first, and then restricted resources as they are required.

Budgets and Budgetary Accounting

TMWA adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada. The Act and TMWA policy include the following major procedures to establish budgetary data:

- On or before April 15, the General Manager of TMWA submits to the Board of Directors a tentative budget for the fiscal year commencing the following July 1.
- Public hearings on the tentative budget are held on the third Wednesday in May.
- Prior to June 1, at a public hearing, the Board of Directors 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 members of the Board. The final budget must then be forwarded to the Nevada Department of Taxation for final approval.
- Any revisions that alter total appropriations must be approved in advance by the Board. Formal budgetary integration is employed as a management control device during the year.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations lapse at year end.
- In accordance with State statute, actual expenses may not exceed the sum of operating and nonoperating appropriations.

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the years ended June 30, 2017 and 2016. This presentation for fiscal year 2017 and 2016 is included as Supplementary Information.

Cash and Investments

Cash balances are, to the extent practical, invested as permitted by law. Monies that are not required for immediate obligations are invested.

Investments authorized by state statutes and TMWA's bond resolutions include, but are not limited to, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP), an external investment pool which is administered by the State Treasurer with oversight by the Board of Finance of the State of Nevada. Investments are reported at fair value, including the investment with LGIP which is equal to TMWA's original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. Exceptions to the fair valuation of investments are the guaranteed investment contracts which are valued at cost.

Restricted cash and investments are monies that are restricted by legal or contractual requirements.

Cash Equivalents

Cash equivalents include short-term highly liquid investments (3 months or less at time of purchase) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes of value. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statements of Cash Flows.

Accounts Receivable

Accounts receivable is comprised of amounts due from TMWA's customers, net of an allowance for uncollectible accounts. Amounts due from TMWA's customers are comprised of amounts billed and an estimate of amounts earned but unbilled for water deliveries prior to fiscal year end.

Restricted Assets

Certain proceeds of TMWA's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants as follows:

- Current bond debt service - used to segregate resources accumulated for debt service payments over the next twelve months.
- Future bond debt service - used to report resources set aside to make up potential future deficiencies in the current bond debt service.
- Operations and maintenance - used to report resources set aside to subsidize potential deficiencies from TMWA's operation that could adversely affect debt service payments.
- Renewal and replacement - used to report resources set aside to subsidize potential deficiencies in cash flow for replacement of water facilities.
- Water rate stabilization - used to report resources set aside to stabilize customer rates if significant water revenue fluctuations occur.

Certain assets of TMWA are classified as restricted assets on the Statements of Net Position because they were derived from contributions from developers to fund the water meter retrofit program as mandated by Public Law 101-618.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items have been classified as current.

Capital Assets

All purchased property, plant, and equipment is stated at cost. TMWA capitalizes all assets with a cost of at least \$5,000 and a useful life greater than one year. The cost of maintenance and repairs that do not increase productive capacity or materially extend the life of an asset are not capitalized. Interest cost incurred during the construction phase of the asset is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Developer contributed capital assets are recorded at acquisition value in the year of contribution to TMWA.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

Depreciation is computed using the straight-line method over the assets' estimated useful lives (in years) as follows:

	<u>Years</u>		<u>Years</u>
Distribution mains	60-75	Hydroelectric facilities	20-80
Plants	15-50	Canals	15-50
Services	15-60	Reservoirs	20-75
Pump stations	15-50	Vehicles	5-10
Tanks	65-75	Furniture and fixtures	10
Wells	15-50	Computer hardware and software	3-5
Pressure reducing stations	25	Lab equipment	5
		Administration buildings	50

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. TMWA's deferred outflows of resources is its deferred charge on refunding which results from the difference in the carrying value of refunded debt and its acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, TMWA has deferred outflows of resources related to pensions.

In addition to liabilities, the Statements of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. TMWA has deferred inflows of resources related to bond refundings and pensions.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of the State of Nevada (PERS) Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications

Certain amounts in the prior year statements have been reclassified for comparison purposes to conform to current year presentation.

Compensated Absences

Under contract, employees are permitted to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is accrued as amounts are earned by employees to the extent it is likely TMWA will ultimately pay those benefits. The liability is included in accrued liabilities in the accompanying Statements of Net Position.

Classification of Revenues

Operating revenues consist of water sales, hydroelectric sales, miscellaneous fee income, and various reimbursements of operating expenses. Nonoperating revenues consist essentially of income derived from investments, and reimbursement for nonoperating activities. Developer facility charges, will-serve contributions, and other contributions reflect payments primarily for water service. Developer infrastructure contributions are an estimation of the value of infrastructure built by developers and permanently dedicated to TMWA.

Implementation of GASB Statement No. 82

As of July 1, 2016, TMWA adopted certain portions of GASB No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*. The implementation of this standard is to clarify the presentation of payroll-related measures in required supplementary information.

Note 2 - Compliance with Nevada Revised Statutes and the Nevada Administrative Code

TMWA conformed to all significant statutory constraints on its financial administration during the year.

Note 3 - Accounts Receivable, Net

Accounts receivable, net consisted of the following:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Billed amounts	\$ 6,185,181	\$ 5,142,543
Earned, but unbilled amounts	<u>8,868,924</u>	<u>8,675,516</u>
	15,054,105	13,818,059
Allowance for uncollectibles	<u>(250,715)</u>	<u>(237,079)</u>
Accounts receivable, net	<u>\$ 14,803,390</u>	<u>\$ 13,580,981</u>

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

Note 4 - Cash and Investments

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2017, the carrying amount of TMWA's deposits of \$- was less than the respective bank balance of \$1,019,399 by \$1,019,399. At June 30, 2016, the carrying amount of TMWA's deposits of \$1,564,692 was greater than the respective bank balance of \$963,018 by \$601,674. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

As of June 30, 2017, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	\$ 18,931,822	\$ -	\$ 18,931,822
U.S. Agencies	31,326,931	56,012,317	87,339,248
LGIP	3,242,632	-	3,242,632
Money Market Mutual Funds	34,916,307	-	34,916,307
Corporate Notes	17,811,237	9,073,890	26,885,127
Corporate Commercial Paper	2,979,690	-	2,979,690
	<u>\$ 109,208,619</u>	<u>\$ 65,086,207</u>	<u>\$ 174,294,826</u>

As of June 30, 2016, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	\$ 2,156,094	\$ -	\$ 2,156,094
U.S. Agencies	43,470,850	21,664,723	65,135,573
Guaranteed Investment Contracts	29,752,798	-	29,752,798
LGIP	3,219,035	-	3,219,035
Money Market Mutual Funds	67,793,723	-	67,793,723
Corporate Notes	2,376,328	15,021,300	17,397,628
	<u>\$ 148,768,828</u>	<u>\$ 36,686,023</u>	<u>\$ 185,454,851</u>

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments. On July 7, 2005 the TMWA Board adopted an investment policy which further limited its investment choices. Nevada Revised Statutes and TMWA's investment policy set portfolio component thresholds to further limit its exposure to certain risks as set forth below. TMWA's investment policy does not allow for investment in asset backed securities even though such investments are permitted by law.

Interest Rate Risk

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be mitigated by diversification of durations of fixed rate investments held in the investment portfolio. As a means of limiting TMWA's exposure to this risk, TMWA constantly monitors the bond futures market and ladders investments accordingly to maximize investment returns while balancing the investment maturities with spending requirements. TMWA follows state statute limits of investment in obligations of an agency of the United States or a corporation sponsored by the United States government to those maturing within ten years from the date of purchase.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agencies securities; "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a debt reserve fund with LGIP, which is an unrated external investment pool with investment duration of 310 days at June 30, 2017, and 142 days at June 30, 2016. In addition, guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies are rated "AAA" and when investments are made in corporate commercial paper these investments are rated "A-1+"/"P-1". Investments in corporate notes are rated "AAA".

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Securities held by TMWA or by TMWA's custodians are diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

At June 30, 2017 and 2016, the following investments by issuer, exceeded 5% of TMWA's total investments:

	<u>June 30, 2017</u>	
Federal National Mortgage Association	\$ 39,347,575	22.58%
Federal Home Loan Bank	25,580,936	14.68%
Federal Home Loan Mortgage Corporation	22,410,737	12.86%
	<u>June 30, 2016</u>	
Federal Home Loan Bank	\$ 28,229,498	15.09%
Bank of America Guaranteed Investment Contract	29,752,798	15.91%
Federal National Mortgage Association	13,912,523	7.44%

Investments Measured at Fair Value

TMWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. TMWA does not have any investments that are measured using level 3 inputs.

TMWA has the following recurring fair value measurements as of June 30, 2017:

	<u>Fair Value June 30, 2017</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments by fair value level			
U.S. Treasuries	\$ 18,931,822	\$ 18,931,822	\$ -
U.S. Agencies	87,339,248	-	87,339,248
Money Market Mutual Funds	34,916,307	34,916,307	-
Corporate Notes	26,885,127	-	26,885,127
Corporate Commercial Paper	2,979,690	-	2,979,690
	<u>171,052,194</u>	<u>\$ 53,848,129</u>	<u>\$ 117,204,065</u>
LGIP	<u>3,242,632</u>		
	<u>\$ 174,294,826</u>		

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TMWA has the following recurring fair value measurements as of June 30, 2016:

	Fair Value June 30, 2016	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	\$ 2,156,094	\$ 2,156,094	\$ -
U.S. Agencies	65,135,574	-	65,135,574
Money Market Mutual Funds	67,793,723	67,793,723	
Corporate Notes	17,397,628	-	17,397,628
	152,483,019	<u>\$ 69,949,817</u>	<u>\$ 82,533,202</u>
LGIP	<u>3,219,035</u>		
	<u>\$ 155,702,054</u>		

The following is a description of the valuation methodologies used by TMWA for its Level 2 assets:

U.S. Agencies – Valued using matrix pricing and market corroborated pricing models.

Corporate notes and commercial paper – Valued based on cash flow models that maximize the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issues with similar credit ratings.

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Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2017 follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 17,666,963	\$ 19,153,325	\$ (16,014,570)	\$ 20,805,718
Land	19,821,360	321,804	391	20,143,555
Water rights	109,575,822	129,923	-	109,705,745
Total capital assets, not being depreciated	<u>147,064,145</u>	<u>19,605,052</u>	<u>(16,014,179)</u>	<u>150,655,018</u>
Capital assets, being depreciated				
Distribution mains	488,098,466	20,705,741	-	508,804,207
Water treatment (plants)	182,072,974	2,824,046	-	184,897,020
Services	138,518,880	2,800,849	-	141,319,729
Pump stations	63,979,314	223,914	(158,404)	64,044,824
Treated water storage (tanks)	89,572,480	480,947	(102,308)	89,951,119
Wells	64,622,905	6,482,027	-	71,104,932
Pressure regulating stations	8,846,137	1,260,543	(99,891)	10,006,789
Canals	40,689,804	565,079	-	41,254,883
Reservoirs	18,564,775	-	-	18,564,775
Vehicles	4,989,617	819,673	(123,930)	5,685,360
Furniture and fixtures	603,066	-	-	603,066
Computer hardware and software	2,574,691	86,300	-	2,660,991
Lab equipment	197,578	-	-	197,578
Hydroelectric facilities	24,989,996	3,272,894	-	28,262,890
Administrative buildings	12,720,435	118,796	-	12,839,231
Total capital assets, being depreciated	<u>1,141,041,118</u>	<u>39,640,809</u>	<u>(484,533)</u>	<u>1,180,197,394</u>
Less accumulated depreciation:				
Distribution mains	(101,217,796)	(9,217,543)	(1,232)	(110,436,571)
Water treatment (plants)	(74,606,063)	(5,575,904)	(7,793)	(80,189,760)
Services	(85,349,814)	(7,500,271)	-	(92,850,085)
Pump stations	(17,672,994)	(2,030,854)	80,913	(19,622,935)
Treated water storage (tanks)	(23,124,556)	(1,987,293)	100,673	(25,011,176)
Wells	(27,227,902)	(2,107,940)	(14,152)	(29,349,994)
Pressure regulating stations	(5,403,379)	(404,829)	56,816	(5,751,392)
Canals	(8,471,476)	(938,384)	-	(9,409,860)
Reservoirs	(5,168,494)	(544,493)	-	(5,712,987)
Vehicles	(2,190,609)	(538,127)	107,855	(2,620,881)
Furniture and fixtures	(398,276)	(57,555)	-	(455,831)
Computer hardware and software	(1,253,844)	(446,238)	-	(1,700,082)
Lab equipment	(77,196)	(34,394)	-	(111,590)
Hydroelectric facilities	(3,061,985)	(501,395)	-	(3,563,380)
Administrative buildings	(2,088,628)	(284,358)	-	(2,372,986)
Total accumulated depreciation	<u>(357,313,012)</u>	<u>(32,169,578)</u>	<u>323,080</u>	<u>(389,159,510)</u>
Total capital assets, being depreciated, net	<u>783,728,106</u>	<u>7,471,231</u>	<u>(161,453)</u>	<u>791,037,884</u>
Total Capital Assets, Net	<u>\$ 930,792,251</u>	<u>\$ 27,076,283</u>	<u>\$ (16,175,632)</u>	<u>\$ 941,692,902</u>

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Capital asset activity for the year ended June 30, 2017 follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 11,419,506	\$ 16,031,241	\$ (9,783,784)	\$ 17,666,963
Land	19,686,804	134,556	-	19,821,360
Water rights	92,128,154	17,447,668	-	109,575,822
Total capital assets, not being depreciated	<u>123,234,464</u>	<u>33,613,465</u>	<u>(9,783,784)</u>	<u>147,064,145</u>
Capital assets, being depreciated				
Distribution mains	477,529,680	10,568,786	-	488,098,466
Water treatment (plants)	179,849,523	2,223,451	-	182,072,974
Services	134,919,335	3,599,545	-	138,518,880
Pump stations	61,382,245	2,820,065	(222,996)	63,979,314
Treated water storage (tanks)	85,293,141	4,279,340	-	89,572,481
Wells	62,507,165	2,115,740	-	64,622,905
Pressure regulating stations	8,671,021	175,116	-	8,846,137
Canals	40,087,788	602,016	-	40,689,804
Reservoirs	13,434,262	5,130,513	-	18,564,775
Vehicles	4,007,826	981,791	-	4,989,617
Furniture and fixtures	603,066	-	-	603,066
Computer hardware and software	2,405,854	187,837	(19,000)	2,574,691
Lab equipment	197,578	-	-	197,578
Hydroelectric facilities	24,804,788	185,208	-	24,989,996
Administrative buildings	12,042,500	677,935	-	12,720,435
Total capital assets, being depreciated	<u>1,107,735,771</u>	<u>33,547,343</u>	<u>(241,996)</u>	<u>1,141,041,118</u>
Less accumulated depreciation:				
Distribution mains	(92,169,125)	(9,048,671)	-	(101,217,796)
Water treatment (plants)	(68,919,145)	(5,686,918)	-	(74,606,063)
Services	(78,131,960)	(7,217,854)	-	(85,349,814)
Pump stations	(15,868,711)	(2,002,930)	198,647	(17,672,994)
Treated water storage (tanks)	(21,043,199)	(2,081,357)	-	(23,124,556)
Wells	(24,849,481)	(2,378,421)	-	(27,227,902)
Pressure regulating stations	(4,998,801)	(404,577)	-	(5,403,378)
Canals	(7,514,604)	(956,872)	-	(8,471,476)
Reservoirs	(4,634,181)	(534,313)	-	(5,168,494)
Vehicles	(1,740,904)	(449,705)	-	(2,190,609)
Furniture and fixtures	(324,746)	(73,530)	-	(398,276)
Computer hardware and software	(808,744)	(464,100)	19,000	(1,253,844)
Lab equipment	(42,802)	(34,394)	-	(77,197)
Hydroelectric facilities	(2,556,391)	(505,594)	-	(3,061,985)
Administrative buildings	(1,793,675)	(294,953)	-	(2,088,627)
Total accumulated depreciation	<u>(325,396,470)</u>	<u>(32,134,190)</u>	<u>217,647</u>	<u>(357,313,012)</u>
Total capital assets, being depreciated, net	<u>782,339,301</u>	<u>1,413,153</u>	<u>(24,349)</u>	<u>783,728,106</u>
Total Capital Assets, Net	<u>\$ 905,573,765</u>	<u>\$ 35,026,619</u>	<u>\$ (9,808,133)</u>	<u>\$ 930,792,251</u>

Note 6 - Long-Term Debt

On June 8, 2005, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Arsenic Mitigation Project. TMWA made draws on this contract as construction proceeded, totaling \$4,669,565. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the 2015A Refunding Bonds, the 2016 Refunding Bonds, the 2017 Refunding Bonds, as well as any future senior lien bonds.

On November 15, 2005, TMWA issued \$40,000,000 in Series 2005A water revenue bonds which constituted special limited obligations of TMWA. The principal and interest were payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. On May 14, 2015, \$33,050,000 of the bonds were refunded with the Series 2015A Refunding Bonds (see below) on a current basis, with the remaining balance of \$890,000 paid on July 1, 2015.

On May 3, 2006, TMWA issued \$150,745,000 in Series 2006 Refunding Bonds which constituted special limited obligations of TMWA. These bonds were sold to refund \$145,970,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds were considered to be defeased and the liability was removed from TMWA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$5,901,299. The unamortized balance was being amortized as a component of interest expense over the remaining life of the newly issued debt, which had a shorter remaining life than the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 27 years by \$10,016,065 and resulted in an economic gain of \$5,152,424. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds. On April 12, 2016, \$148,015,000 of the bonds were refunded with the Series 2016 Refunding Bonds (see below) on a current basis, with the remaining balance of \$400,000 paid on July 1, 2016.

On August 15, 2006, TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that originally authorized the issuance of up to \$160,000,000 in TECP notes. After \$23,000,000 of redemptions, total authorized issuance stands at \$137,000,000 in TECP notes. Of the total authorization, TMWA has outstanding \$83,400,000 as of June 30, 2017 and \$87,800,000 as of June 30, 2016. The first draw was on August 16, 2006 for \$30,000,000, a second draw was on December 5, 2006 for \$13,000,000, a third draw was made on February 15, 2008 for \$25,000,000, and a fourth draw was made on June 28, 2011 for \$11,400,000, for a total issuance of \$79,400,000. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012, leaving \$68,000,000 outstanding at June 30, 2014. TMWA issued a fifth draw for \$27,000,000 on December 17, 2014, for a total issuance of \$95,000,000. On various dates in fiscal year 2016, TMWA redeemed \$7,200,000. On September 7, 2016 TMWA redeemed \$4,400,000. TMWA has remaining authorization to issue \$53.6 million as of June 30, 2017 and 2016, respectively. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The fifth draw was to refund, on an advanced basis, \$26,100,000 in Washoe County water obligations to effect the water utility consolidation between Washoe County and TMWA with proceeds transferred to escrow on the date of issuance. The funds in escrow were distributed to the Washoe County bondholders as

of July 1, 2015, the call date of the bonds. The TECP program is facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and the Bank of Tokyo-Mitsubishi UFJ. The stated amount of the Liquidity Facility is \$103,432,878. The average interest rate on the outstanding balance of TECP as of June 30, 2017 was 0.89% and June 30, 2016 was 0.48%. As of June 30, 2017, the total TECP notes outstanding were comprised of 5 tranches ranging from \$10,000,000 to \$21,550,000 with maturities ranging from 31 to 67 days. As of June 30, 2016, the total TECP notes outstanding were comprised of 6 tranches ranging from \$6,150,000 to \$23,150,000 with maturities ranging from 30 to 129 days.

On January 17, 2007, TMWA issued \$218,975,000 in Series 2007 Refunding Bonds, which constituted special limited obligations of TMWA. These bonds were sold to refund \$212,275,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$15,284,819. The unamortized balance was being amortized as a component of interest expense over the original life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over 24 years by \$18,192,500, and resulted in an economic gain of \$10,439,350. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds. On April 11, 2017, the bonds were refunded with the Series 2017 Refunding Bonds (see below) on a current basis.

On July 25, 2009, TMWA entered into a loan contract with the DWSRF to partially fund TMWA's Mogul Bypass Siphon Project. The loan was provided through the American Recovery and Reinvestment Act (ARRA) stimulus funding provided by the federal government. TMWA made draws on this contract as construction proceeded, totaling \$2,401,120. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2015A Refunding Bonds, the 2016 Refunding Bonds, and the 2017 Refunding Bonds, as well as any future senior lien bonds.

On January 28, 2010, TMWA issued \$28,240,000 in Series 2010 Refunding Bonds which constituted special limited obligations of TMWA. These bonds were sold to refund \$29,515,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,657,234. The unamortized balance was being amortized as a component of interest expense over the remaining life of the old and new debt, which has the same remaining life. This advance refunding was undertaken to reduce total debt service payments over approximately 3.5 years by \$2,332,160, and resulted in an economic gain of \$1,947,941. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds. Final debt service payments on the 2010 Refunding Bonds were made on July 1, 2015.

On February 11, 2010, TMWA entered into a loan contract with DWSRF to fund TMWA's Glendale Water Treatment Plant Diversion Project. Total construction costs for the Glendale Diversion Project were less than expected. Consequently, TMWA requested and was granted that the remaining loan authorization be able to fund final improvements on the Highland Canal. During fiscal year 2013, the loan was finalized in the total

amount of \$4,381,614. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the, senior lien 2015A Refunding Bonds the 2016 Refunding Bonds, and the 2017 Refunding Bonds as well as any future senior lien bonds.

On December 31, 2014, TMWA entered into a loan contract with the DWSRF, to transfer the remaining loan balance of the Washoe County Water Utility 2005 DWSRF loan to TMWA. The transfer was in conjunction with the transfer of operations of the Washoe County Water Utility into TMWA on January 1, 2015. The loan contract was entered into by the Washoe County Water Utility to construct the Longley Lane Water Treatment Facility, a facility that was transferred to TMWA. The loan balance of \$9,109,437 was transferred to TMWA under the same terms that existed with Washoe County as the TMWA 2014 DWSRF loan. The original balance of the loan was \$14,162,268. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues, derived from the operation of the Water System. This loan has remaining term of 10 years. This loan is subordinate to the senior lien 2015A Refunding Bonds, the 2016 Refunding Bonds, 2017 Refunding Bonds as well as any future senior lien bonds.

On April 14, 2015, TMWA issued \$28,750,000 in Series 2015A Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund on a current basis \$33,050,000 in maturities of the Series 2005A Bonds. The proceeds of the refunding bond issue were placed in an irrevocable trust for the purpose of generating financial resources to defease that callable portion of the Series 2005A Bonds. The Series 2005A refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statement of Net Position. The net carrying amount of the old debt exceeded the reacquisition price by \$140,645. The unamortized balance is being amortized as a component of interest income over the remaining life of the old and new debt, which has the same remaining life. This current refunding was undertaken to reduce total debt service payments over approximately 21 years by \$6,563,813 and resulted in an economic gain of \$4,575,309. The funds held in the irrevocable trust were distributed to 2005A bondholders as of July 1, 2015, the call date of the 2005A Bonds.

On July 30, 2015, TMWA entered into a loan contract with the DWSRF the 2015B DWSRF Loan, to fund TMWA's surface and groundwater supplies in the North Valleys particularly the Stead area, Lemmon Valley area, and North Virginia Corridor. TMWA made draws on this contract as construction proceeded, totaling \$8,239,034 by June 30, 2016. Additional draws in fiscal year 2017 of \$732,529 brought the final loan balance to \$8,971,562. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien, 2015A Refunding Bonds, the 2016 Refunding Bonds, and the 2017 Refunding Bonds as well as any future senior lien bonds.

On April 12, 2016, TMWA issued \$124,790,000 in Series 2016 Water Revenue Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$148,015,000 in maturities of the Series 2006 Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2006 Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$3,092,808. The unamortized balance is being amortized as a component of interest expense over the original life of the old debt, which has a

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shorter remaining life in comparison to the remaining life of the refunding bonds. This current refunding was undertaken to reduce total debt service payments over 22 years by \$4,332,501, and resulted in an economic gain of \$15,025,124. The funds in the irrevocable trust were distributed to 2006 bondholders as of July 1, 2016, the call date of the 2006 Bonds.

On April 11, 2017, TMWA issued \$147,415,000 in Series 2017 Water Revenue Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$214,290,000 in maturities of the Series 2007 Bonds. The proceeds of the refunding bond issue along with \$32,865,308 from TMWA's cash balances were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2007 Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$289,903. The unamortized balance is being amortized as a component of interest income over the remaining life of the old and new debt, which has the same remaining life. This current refunding was undertaken to reduce total debt service payments over 14 years by \$15,301,534, and resulted in an economic gain of \$15,948,105. The funds in the irrevocable trust were distributed to 2007 bondholders as of July 1, 2017, the call date of the 2007 Bonds.

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The following schedules summarize the changes in long-term obligations as of June 30, 2017:

	Final Maturity Date	Authorized	Balance July 1,2016	Additions	Deletions	Balance June 30,2017	Due in 2017-2018
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 2,613,744	\$ -	\$ 254,818	\$ 2,358,926	\$ 263,065
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	400,000	-	400,000	-	-
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,290,000	-	214,290,000	-	-
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0.00%	7/1/2029	2,401,120	1,669,527	-	123,669	1,545,859	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	1/1/2030	4,381,614	3,772,013	-	216,660	3,555,353	223,757
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	7,965,667	-	789,547	7,176,120	811,889
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	28,750,000	-	830,000	27,920,000	850,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	7/1/2035	8,971,562	8,239,034	732,529	-	8,971,562	383,321
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2037	124,790,000	124,790,000	-	-	124,790,000	-
2017 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	147,415,000	-	147,415,000	-	147,415,000	-
Subtotal		700,208,298	392,489,985	148,147,529	216,904,694	323,732,820	2,655,701
Plus unamortized net bond premium			28,441,399	24,853,662	2,112,199	51,182,862	
Total debt before tax exempt commercial paper			420,931,384	173,001,191	219,016,893	374,915,682	
TMWA Tax-Exempt Commercial Paper		137,000,000	87,800,000	-	4,400,000	83,400,000	83,400,000
Total Debt		<u>\$ 837,208,298</u>	<u>\$ 508,731,384</u>	<u>\$ 173,001,191</u>	<u>\$ 223,416,893</u>	<u>\$ 458,315,682</u>	<u>\$ 86,055,701</u>

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The following schedules summarize the changes in long-term obligations as of June 30, 2016:

	Final Maturity Date	Authorized	Balance July 1,2015	Additions	Deletions	Balance June 30,2016	Due in 2016-2017
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 2,860,578	\$ -	\$ 246,834	\$ 2,613,744	\$ 254,810
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	890,000	-	890,000	-	-
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,415,000	-	148,015,000	400,000	400,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,800,000	-	510,000	214,290,000	11,390,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0.00%	7/1/2029	2,401,120	1,793,196	-	123,669	1,669,527	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	9,435,000	-	9,435,000	-	-
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,981,798	-	209,785	3,772,013	216,659
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	8,733,487	-	767,820	7,965,667	789,547
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	28,750,000	-	-	28,750,000	830,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	7/1/2035	15,000,000	-	8,239,034	-	8,239,034	230,150
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2037	124,790,000	-	124,790,000	-	124,790,000	-
Subtotal		627,061,736	419,659,059	133,029,034	160,198,108	392,489,985	14,234,835
Plus unamortized net bond premium			3,673,290	24,564,337	(203,772)	28,441,399	
Total debt before tax exempt commercial paper			423,332,349	157,593,371	159,994,336	420,931,384	
TMWA Tax-Exempt Commercial Paper		148,600,000	95,000,000	-	7,200,000	87,800,000	87,800,000
Total Debt		<u>\$ 775,661,736</u>	<u>\$ 518,332,349</u>	<u>\$ 157,593,371</u>	<u>\$ 167,194,336</u>	<u>\$ 508,731,384</u>	<u>\$ 102,034,835</u>

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

Annual debt service requirements to maturity for TMWA's bonds and commercial paper are as follows:

Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2018	\$ 86,055,700	\$ 13,420,803	\$ 99,476,503
2019	2,738,723	15,360,498	18,099,221
2020	2,829,058	15,273,963	18,103,021
2021	13,460,867	14,983,254	28,444,121
2022	13,599,193	14,419,778	28,018,971
2023-2027	76,823,773	61,557,949	138,381,722
2028-2032	98,496,564	41,100,903	139,597,467
2033-2037	104,923,942	12,456,746	117,380,688
2038	8,205,000	205,125	8,410,125
Total	\$ 407,132,820	\$ 188,779,019	\$ 595,911,839

Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in the current year. It is the intent of TMWA that as TECP matures, the interest and principal will be remarketed into new commercial paper notes.

Note 7 - Net Position

Restricted Net Position

TMWA records the following restrictions of net position:

Restricted in accordance with bond covenants: TMWA's bond covenants require certain restrictions of TMWA's net position for operations and maintenance, debt service, renewal and replacement, and water rate stabilization.

Restricted for water meter retrofit program: This restriction was created to segregate the portion of net position derived from contributions made by developers to fund the water meter retrofit program as mandated by Public Law 101-618.

Restricted in accordance with the STMGID merger agreement: The merger agreement with STMGID required that certain funds transferred to TMWA by STMGID may only be used for three purposes: a) payment of contingent liabilities b) construction of facilities to move surface water into the STMGID water utility, and replacement, rehabilitation and/or repair of the STMGID facilities. The restricted amount of \$10,672,290 and \$11,160,870 as of June 30, 2017 and 2016, respectively, is included in the amount restricted for renewal and replacement.

Board Designation

The TMWA Board of Directors has designated \$1,300,000 for water rate stabilization. This designation is not reflected as restricted net position, but is considered a designated portion of unrestricted net position.

Note 8 - Contingent Liabilities

Boca Dam and Reservoir: The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the “Boca Dam”), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the “Conservation District”). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the “BOR”), the BOR is currently working on conceptual designs for an earthquake hardening project at the base of Boca Dam. The construction costs for an earthquake hardening project are currently estimated at \$36.0 million, plus additional design and engineering costs. Under federal law, the beneficiary of the authorized purposes of the structure must pay 15% of the total project cost. Given the complexities of TROA, pending litigation and other matters which complicate identifying who is the beneficiary of the authorized purposes of the structures, the Conservation District is in negotiations with the BOR as to how that 15% is allocated between irrigation and municipal uses. Cost allocation issues have yet to be resolved. Based upon information received by the Authority, the Conservation District currently expects its portion of beneficiary cost to range from \$4.395 million to \$6.0 million based on cost estimates at this time. As of June 30, 2017, the BOR had spent approximately \$6.2 million in design and engineering costs on the project. The Authority expects its portion of the potential responsibility for the cost being assessed the Conservation District will be between \$0 and \$2.2 million.

Mt. Rose Fan Domestic Well Program: As part of the transfer of operations with the Washoe County water utility, TMWA also agreed to continue Washoe County’s Mt. Rose-Galena Fan Domestic Well Mitigation Program, which provides for the reimbursement of specific well deepening costs or water system connection charges, incurred by property owners within the program area, whom experienced or will experience an “unreasonable adverse effect” as a result of municipal groundwater pumping. TMWA’s continuation of the program provides continuity for domestic well owners in the specific program and provides protection of shared groundwater resources in the program area. TMWA’s budget includes projected costs for administering the domestic well mitigation plan. In addition, TMWA’s 2017-2021 Capital Improvement Plan lists several major construction projects to move surface water into the affected area during certain times of the year to mitigate adverse effects on groundwater levels.

Note 9 - Risk Management

TMWA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TMWA is responsible for group health insurance premiums payable to the City of Reno for coverage in the City's self-funded health insurance program. All other risks are covered by commercial insurance purchased from independent third parties. There have been no settlements in excess of insurance coverage for the past three years.

Note 10 - Pensions and Other Employee Benefits**Defined Benefit Pension Plan***Plan Description*

TMWA contributes to the Public Employees' Retirement System of the State of Nevada (PERS). PERS administers a cost-sharing, multiple-employer, defined benefit public employees' retirement system. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering PERS on or after January 1, 2010 and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering PERS on or after January 1, 2010, there is a 2.5% multiplier. Members entering PERS on or after July 1, 2015 have a 2.25% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Members entering PERS on or after July 1, 2015 are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service, or at age 55 with thirty years of service, or at any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer. TMWA contributes under the employer-pay option.

PERS' basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund PERS on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

The Employer-pay contribution (EPC) rate was 28% for both fiscal years June 30, 2017 and 2016.

TMWA's contributions were \$5,037,877 and \$4,534,811 for the years ended June 30, 2017 and 2016, respectively.

PERS Investment Policy

PERS' policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2016 and 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return</u>
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

As of June 30, 2016 and 2015, PERS' long-term inflation assumption was 3.5%.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

Net Pension Liability

At June 30, 2017, TMWA reported a liability for its proportionate share of the net pension liability of \$35,783,246. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2016, TMWA reported a liability for its proportionate share of the net pension liability of \$26,869,406. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's proportion of the net pension liability was based on TMWA's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2016 and 2015, TMWA's proportion was .2674 and .2351 percent, respectively.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of TMWA measured as of June 30, 2016 and 2015, calculated using the discount rate of 8.00%, as well as what TMWA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate <u>(7.00%)</u>	Discount Rate <u>(8.00%)</u>	1% Increase in Discount Rate <u>(9.00%)</u>
Net Pension Liability, June 30, 2016	\$ 52,753,951	\$ 35,783,246	\$ 22,042,152
Net Pension Liability, June 30, 2015	41,058,088	26,869,406	15,208,145

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

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Actuarial Assumptions

TMWA's June 30, 2017 net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's June 30, 2016 net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2016	June 30, 2015
Inflation Rate	3.50%	3.50%
Payroll Growth	5.00% including inflation	5.00% including inflation
Investment Rate of Return	8.00%	8.00%
Productivity Pay Increase	0.75%	0.75%
Projected Salary Increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases
Consumer Price Index	3.50%	3.50%
Other Assumptions	Same as those used in the June 30, 2015 funding actuarial valuation	Same as those used in the June 30, 2014 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA. Mortality rates for non-disabled female regular members were based on the RP-2000 Combined Healthy Mortality Table, projected to 2013 with Scale AA, set back one year. Mortality rates for all non-disabled police/fire members were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set forward one year. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members and all disabled police/fire members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years. Life expectancy at age 65 is assumed to be 21.0 years.

Actuarial assumptions used in the June 30, 2016 and 2015 valuations were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016 and June 30, 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2016 and 2015, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016 and June 30, 2015.

Truckee Meadows Water Authority
Notes to Financial Statements
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Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, TMWA recognized pension expense of \$5,792,926. At June 30, 2017, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,410,007
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	3,345,751	-
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	5,855,667	-
TMWA contributions subsequent to the measurement date	<u>5,037,877</u>	<u>-</u>
	<u>\$ 14,239,295</u>	<u>\$ 2,410,007</u>

\$5,037,877 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

For the year ended June 30, 2016, TMWA recognized pension expense of \$3,459,922. At June 30, 2016, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,026,696
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,459,495
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	2,621,877	-
TMWA contributions subsequent to the measurement date	<u>4,534,811</u>	<u>-</u>
	<u>\$ 7,156,688</u>	<u>\$ 3,486,191</u>

\$4,534,811 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date was recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Truckee Meadows Water Authority

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The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2015 (the beginning of the measurement period ended June 30, 2016) is 6.48 years.

Other estimated amounts reported by TMWA as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017 will be recognized in pension expense as follows:

Year Ending June 30:

2018	\$ (875,805)
2019	(875,805)
2020	(2,339,423)
2021	(1,719,594)
2022	(704,524)
Thereafter	(276,260)

Additional Information

The PERS Comprehensive Annual Financial Report (CAFR) is available on the PERS website at www.nvpers.org under Quick Links – Publications.

Deferred Compensation Plans

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, all employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. For the year ended June 30, 2017, TMWA had matching contributions totaling \$1,066,019, and \$1,007,308 for the year ended June 30, 2016.

Other Post-Employment Benefit Plans (OPEB)

TMWA has two “Other Post –Employment Benefit Plans”, (OPEB). The first plan was established for the benefit of transferred employees from Sierra Pacific Power Company and all new hires. The second plan was formed to provide post-employment benefits for benefitted employees who transferred from Washoe County as a result of the water utility consolidation. The first plan is referred to as the §501-c-9 Plan and the second plan is referred to as the §115 Plan. Both Plans reference the Internal Revenue Code sections that the plans were formed under.

§501-c-9 Plan

Plan Description. The §501-c-9 plan known as The Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (Plan), is a single-employer defined benefit OPEB plan that was established to provide eligible TMWA employees with post-employment health benefits. The Plan was amended to provide post-retirement life insurance benefits in July 2011. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, the Plan is governed by not less than three, but not more than five trustees. Four trustees were appointed by the TMWA Board of Directors, two from non-represented employees and two from represented employees. The Plan issues a financial report that includes the financial statements and required supplementary information. That report may be obtained by contacting TMWA in writing at P.O. Box 30013, Reno, NV 89520-3013.

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Eligibility. There are three employee classifications eligible for benefits: a pre-January 1, 1998 collective bargaining unit group, a post-December 31, 1997 collective bargaining unit group, and a group for management, professional, and administrative (MPAT) personnel regardless of date of hire. Eligibility requirements benefit levels, employee contributions and employer contributions are amended through TMWA's collective bargaining agreements for its represented employees and by the TMWA Board of Directors with respect to MPAT employees.

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group of represented employees will receive a subsidy as a percentage of the total health premium, dependent upon years of service and age of retirement, with a maximum subsidy of 85% with 20 years of credited service. Employees with 20 or more years of service electing the Medicare Risk Contract would pay nothing towards health premiums. For this group dependents are also covered. The post-December 31, 1997 group of represented employees will receive a total subsidy of \$1,250 times years of service towards health care premiums. This amount does not grow with interest and once exhausted a retiree may convert to COBRA, but only for the 18 month continuation period. For MPAT employees, the annual subsidy is \$235 times years of service, up to 30 years, prorated for each month of retirement while under the age of 65. On or after the age of 65, the subsidy is \$105 times years of service prorated for each month of retirement while age 65 and older. If an MPAT employee retires and draws benefits before age 62, the subsidy is reduced by 5% for each full year retirement precedes 62. There is no extra subsidy for spousal or dependent coverage except continuation benefits provided for under COBRA. Retirees are responsible for the remaining portion of premiums.

The number of active participants and retirees as of July 1, 2016, the effective date of the most recent OPEB valuation was 173 and 31, respectively. As of June 30, 2017 and 2016 there were 35 and 29 retirees, respectively, receiving benefits from the Plan.

Funding Policy, Annual OPEB Cost and Net OPEB Obligation. Beginning in fiscal year 2011, the Plan has funded retiree benefits through its Voluntary Employee Benefit Association (VEBA) that TMWA established as an irrevocable trust for funding of the post-employment health benefits.

TMWA's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, were as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2017	\$ 445,063	\$ 445,063	100%	\$ -
2016	244,429	244,429	100%	-
2015	244,429	244,429	100%	-

Truckee Meadows Water Authority
Notes to Financial Statements
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The net OPEB obligation as of June 30, 2017 and 2016 was calculated as follows:

	<u>2017</u>	<u>2016</u>
Normal cost	\$ 330,786	\$ 303,827
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>114,277</u>	<u>(59,398)</u>
Annual OPEB Cost (ARC)	445,063	244,429
Total Contributions	<u>(445,063)</u>	<u>(244,429)</u>
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	<u>-</u>	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (July 1, 2016) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 10,407,569
Actuarial Value of Plan Assets (b)	<u>8,948,929</u>
Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	<u><u>\$ 1,458,640</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	85.98%
Covered Payroll (c)	\$ 13,944,136
UAAL as a Percentage of Covered Payroll [(a-b)/(c)]	10.46%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides current year information and multi-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Remaining amortization period	22 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

§115 Plan

Plan Description. On December 17, 2014, TMWA formed The Truckee Meadows Water Authority OPEB Trust Fund (§115 Plan), a single-employer defined benefit OPEB plan that was established to provide certain eligible TMWA employees with post-employment health benefits. This specific plan was formed to provide post-employment benefits to qualified transferred Washoe County employees as a result of the water utility transfer of operations. STMGID had no employees and was contractually operated by Washoe County. Twenty-five employees transferred from Washoe County to TMWA, of which two had no post-employment benefits, and were subsequently enrolled in the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (§501-c-9 Plan). Of the remaining 23 transferred employees, one left the employment of TMWA to work for another public agency, which disqualified the individual from future benefits from the §115 Plan, resulting in 22 remaining transferred employees that are entitled to benefits as of June 30, 2017. The §115 Plan is a closed plan that will provide future benefits to the remaining eligible transferred employees and no new beneficiaries can be enrolled in this Plan.

Eligibility. There are two employee classifications eligible for benefits in this Plan: Tier I and Tier II classifications.

For Tier I employees/retirees that have at least ten years but less than 15 years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 50% of the premium for coverage of such retiree under the benefit plans. For Tier I employees that have at least fifteen years but less than twenty years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 75% of the premium for coverage of such retiree under the benefit plans. For Tier I employees that have at least twenty years of combined full-time employment with Washoe County and/or TMWA the maximum benefits payable by the Trust will be 100% of the premium for coverage of such retiree under the benefit plans. Tier I employees who have attained the Medicare Eligibility Age during a Trust Plan Year must enroll in and pay the cost of Medicare Part “A” and Medicare Part “B” or Medicare Part “C” coverage and TMWA will become the secondary payer regardless of whether the retiree enrolls in the Medicare program or not. The Medicare Eligibility Age is currently defined as age 65 but will be changed if Medicare changes the eligibility age.

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For Tier II employees/retirees the maximum benefits to be paid by the Trust who have not attained the age of 65 is to be the same amount of the premium paid for group health coverage by an employer for coverage of non-state employees under the Nevada State Public Employee Benefit Plan (PEBP) Retiree Health Insurance plan. The 2003 Nevada Legislature passed legislation (AB 286) that afforded public employees of Nevada political subdivisions the opportunity to enroll, upon their retirement in the PEBP Retiree Health Plan and obligated public employers of enrolled retirees to pay a portion of the medical premium on the retiree's behalf (the Subsidy). Tier II Retirees are entitled to receive the Subsidy from the Trust towards their coverage under the employer Benefit Plans rather than the PEBP Retiree Health Plan.

For Tier II employees/retirees who have attained the Medicare Eligibility Age (currently age 65) or older will instead receive the equivalent of the State of Nevada's Medicare Exchange Retiree HRA contribution subsidy based upon the combined years of service with Washoe County and/or TMWA and must elect Medicare. Medicare then becomes the primary carrier, and the Benefits Plans funded by the Trust are to become secondary. The Medicare Eligibility Age is currently defined as age 65 but will be changed if Medicare changes the eligibility age.

In order to receive the benefits described the Tier II employee must be an employee of TMWA immediately prior to drawing their retirement benefits.

The number of active participants and retirees as of July 1, 2016, the effective date of the most recent OPEB valuation was 22 and 0. As of June 30, 2017 and 2016 there were one and zero retirees, respectively, receiving benefits from the Plan.

The net OPEB obligation as of June 30, 2017 and 2016 was calculated as follows:

	2017	2016
Normal cost	\$ 76,771	\$ 45,592
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>26,670</u>	<u>29,997</u>
Annual OPEB Cost (ARC)	103,441	75,589
Total Contributions	<u>(103,441)</u>	<u>(75,589)</u>
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	<u>-</u>	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (July 1, 2016) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 1,453,919
Actuarial Value of Plan Assets (b)	<u>695,940</u>
Unfunded Actuarial Accrued Liability (UAAL) (a-b)	<u><u>\$ 757,979</u></u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	47.87%
Covered Payroll (c)	\$ 1,658,227
UAAL as a Percentage of Covered Payroll [(a-b)/(c)]	45.71%

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2017 and 2016

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	28 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

Note 11 - Commitments

TMWA has committed \$1,400,000 to further enhancement of the Truckee River as mitigation for operation of the Farad hydroelectric plant, which has yet to be transferred.

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2017 as a contribution in fiscal year 2017 to the Truckee River Fund of the Community Foundation of Western Nevada, for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

Note 12 - Subsequent Events

On September 7, 2017 TMWA reduced its outstanding commercial paper balance from \$83,400,000 to \$74,200,000 with a payment from unrestricted cash of \$9,200,000.

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Required Supplementary Information
Truckee Meadows Water Authority

Truckee Meadows Water Authority
Schedule of Funding Progress – Other Postemployment Benefit Plans
June 30, 2017

Plan	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a-b)/c]
501c9 Plan	July 1, 2016	\$10,407,569	\$ 8,948,929	\$ 1,458,640	85.98%	\$13,944,136	10.46%
115 Plan	July 1, 2016	1,453,919	695,940	757,979	47.87%	1,658,227	45.71%
		<u>\$11,861,488</u>	<u>\$ 9,644,869</u>	<u>\$ 2,216,619</u>	<u>81.31%</u>	<u>\$15,602,363</u>	<u>14.21%</u>
501c9 Plan	July 1, 2014	\$ 8,196,010	\$ 8,443,923	\$ (247,913)	103.02%	\$12,941,448	-1.92%
115 Plan	January 1, 2015	1,357,972	546,873	811,099	40.27%	1,612,906	50.29%
		<u>\$ 9,553,982</u>	<u>\$ 8,990,796</u>	<u>\$ 563,186</u>	<u>94.11%</u>	<u>\$14,554,354</u>	<u>3.87%</u>
501c9 Plan	July 1, 2012	<u>\$ 6,228,631</u>	<u>\$ 6,181,506</u>	<u>\$ 47,125</u>	<u>99.24%</u>	<u>\$11,618,408</u>	<u>0.41%</u>

501c9 Plan:

The July 1, 2016 Actuarial Valuation reflected an increase in the AAL due to a one time 20% increase in health insurance premiums effective January, 2016. July 1, 2014 Actuarial Valuation reflected a reduced discount rate assumption from 6.5% to 6% which is the primary reason for the increase in the AAL from the July 1, 2012 valuation.

115 Plan:

The July 1, 2016 Actuarial Valuation reflected an increase in the AAL. A one time 20% increase in health insurance premiums effective January, 2016 was off set by a decrease in the number of eligible employees and reductions related to assumptions around implicit subsidy.

Truckee Meadows Water Authority
 Schedule of TMWA's Share of Net Pension Liability
 Public Employees' Retirement System of Nevada (PERS)
 Last Ten Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TMWA's portion of net the pension liability	0.2674%	0.2345%	0.2139%
TMWA's proportionate share of the net pension liability	\$ 35,783,246	\$ 26,869,406	\$ 22,293,306
TMWA's covered payroll	\$ 16,314,669	\$ 14,077,995	\$ 12,573,558
TMWA's proportional share of the net pension liability as a percentage of its covered payroll	219.33%	190.86%	177.30%
Plan fiduciary net position as a percentage of the total pension liability	72.23%	75.13%	76.30%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, TMWA will present information for only those years for which information is available.

Truckee Meadows Water Authority
 Schedule of TMWA Contributions
 Public Employees' Retirement System of Nevada (PERS)
 Last Ten Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 5,037,877	\$ 4,534,811	\$ 3,629,441
Contributions in relation to the statutorily required contribution	\$ 5,037,877	\$ 4,534,811	\$ 3,629,441
Contribution (deficiency) excess	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 17,947,692	\$ 16,314,669	\$ 14,077,995
Contributions as a percentage of covered payroll	28.07%	27.80%	25.78%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until ten years of data is available, TMWA will present information for only those years for which information is available.



Supplementary Information
June 30, 2017 and 2016

Truckee Meadows Water Authority

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
 Year Ended June 30, 2017

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 91,196,093	\$ 92,687,260	\$ 1,491,167
Hydroelectric sales	1,755,890	1,788,934	33,044
Other operating sales	2,471,500	2,791,989	320,489
Total operating revenues	<u>95,423,483</u>	<u>97,268,183</u>	<u>1,844,700</u>
Operating Expenses			
Salaries and wages	18,319,615	17,257,014	1,062,601
Employee benefits	8,736,336	9,047,279	(310,943)
Services and supplies	25,730,715	23,980,864	1,749,851
Total operating expenses before depreciation	<u>52,786,666</u>	<u>50,285,157</u>	<u>2,501,509</u>
Depreciation	<u>33,247,620</u>	<u>32,169,578</u>	<u>1,078,042</u>
Total operating expenses	<u>86,034,286</u>	<u>82,454,735</u>	<u>3,579,551</u>
Operating Income	<u>9,389,197</u>	<u>14,813,448</u>	<u>5,424,251</u>
Nonoperating Revenues (Expenses)			
Investment earnings	2,231,304	7,209,113	4,977,809
Net change in fair value of investments	-	(342,257)	(342,257)
Gain (loss) on disposal of assets	-	(155,722)	(155,722)
Bond/note issue costs and amortization of bond insurance	(474,444)	(1,183,526)	(709,082)
Interest expense	(16,930,176)	(16,968,911)	(38,735)
Other nonoperating expense	-	(243,000)	(243,000)
Total nonoperating revenues (expenses)	<u>(15,173,316)</u>	<u>(11,684,303)</u>	<u>3,489,013</u>
Income (Loss) before Capital Contributions	<u>(5,784,119)</u>	<u>3,129,145</u>	<u>8,913,264</u>
Capital Contributions			
Grants	1,191,168	1,226,863	35,695
Water meter retrofit program	450,000	341,074	(108,926)
Developer infrastructure contributions	-	10,797,854	10,797,854
Developer will-serve contributions (net of refunds)	8,189,633	7,950,666	(238,967)
Developer capital contributions-other	5,328,086	6,062,247	734,161
Developer facility charges (net of refunds)	4,509,144	5,116,956	607,812
Contributions from others	11,805,511	11,855,511	50,000
Net capital contributions	<u>31,473,542</u>	<u>43,351,171</u>	<u>11,877,629</u>
Change in Net Position	<u>\$ 25,689,423</u>	46,480,316	<u>\$ 20,790,893</u>
Net Position, Beginning of Year		<u>584,982,314</u>	
Net Position, End of Year		<u>\$ 631,462,630</u>	

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
 Year Ended June 30, 2016

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 88,328,024	\$ 87,534,332	\$ (793,692)
Hydroelectric sales	945,552	1,175,195	229,643
Other operating sales	2,580,867	3,219,416	638,549
Total operating revenues	91,854,443	91,928,943	74,500
Operating Expenses			
Salaries and wages	16,609,056	16,541,811	67,245
Employee benefits	8,164,236	6,364,279	1,799,957
Services and supplies	27,666,431	25,575,227	2,091,204
Total operating expenses before depreciation	52,439,723	48,481,317	3,958,406
Depreciation	33,207,312	32,134,190	1,073,122
Total operating expenses	85,647,035	80,615,507	5,031,528
Operating Income	6,207,408	11,313,436	5,106,028
Nonoperating Revenues (Expenses)			
Investment earnings	2,357,604	6,737,745	4,380,141
Net change in fair value of investments	-	80,042	80,042
Gain (loss) on disposal of assets	(625,000)	6,460,373	7,085,373
Bond/note issue costs and amortization of bond insurance	(1,105,128)	(1,219,746)	(114,618)
Interest expense	(21,191,268)	(21,549,864)	(358,596)
Total nonoperating revenues (expenses)	(20,563,792)	(9,491,450)	11,072,342
Income (Loss) before Capital Contributions	(14,356,384)	1,821,986	16,178,370
Capital Contributions			
Grants	-	224,138	224,138
Water meter retrofit program	540,684	482,081	(58,603)
Developer infrastructure contributions	-	8,454,980	8,454,980
Developer will-serve contributions (net of refunds)	1,152,288	4,363,692	3,211,404
Developer capital contributions-other	906,612	2,473,163	1,566,551
Developer facility charges (net of refunds)	1,505,652	2,931,940	1,426,288
Contributions from others	6,995,000	356,200	(6,638,800)
Net capital contributions	11,100,236	19,286,194	8,185,958
Change in Net Position	\$ (3,256,148)	21,108,180	\$ 24,364,328
Net Position, Beginning of Year		563,874,134	
Net Position, End of Year		\$ 584,982,314	



Statistical Section
Truckee Meadows Water Authority

This part of the Truckee Meadows Water Authority comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

<u>Section Contents</u>	<u>Schedule No.</u>
Financial Trends These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	1-6
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its water sales and other revenues.	7-8
Debt Capacity These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, and its ability to issue additional future debt.	9
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other utilities.	10-12
Operating Information These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services it provides and the activities it performs.	13-17
Debt Ratios These schedules contain information about changes in the Authority's debt and its debt in relation to service connections.	18-19

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

	Fiscal Year			
	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014</u>
Net Position				
Net investment in capital assets	\$ 506,700,472	\$ 478,543,111	\$ 444,402,572	\$ 232,327,785
Restricted	28,589,861	40,505,804	42,158,803	25,198,683
Unrestricted	<u>96,172,297</u>	<u>65,933,399</u>	<u>77,312,759</u>	<u>54,036,550</u>
Total Net Position	<u>\$ 631,462,630</u>	<u>\$ 584,982,314</u>	<u>\$ 563,874,134</u>	<u>\$ 311,563,018</u>

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 1 – Net Position by Component
 Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 227,319,870	\$ 222,418,497	\$ 223,410,534	\$ 220,473,195	\$ 204,972,595	\$ 177,972,803
22,644,404	13,678,852	22,873,643	23,515,136	23,947,116	16,387,385
51,471,349	57,107,888	41,907,040	43,968,725	56,186,497	87,278,594
<u>\$ 301,435,623</u>	<u>\$ 293,205,237</u>	<u>\$ 288,191,217</u>	<u>\$ 287,957,056</u>	<u>\$ 285,106,208</u>	<u>\$ 281,638,782</u>

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12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 2 – Changes in Net Position
 Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Special Item	Change in Net Position
2017*	\$ 97,268,183	\$ 82,454,735	\$ 14,813,448	\$ (11,684,303)	\$ 3,129,145	\$ 43,351,171	\$ -	\$ 46,480,316
2016*	91,928,943	80,615,507	11,313,436	(9,491,450)	1,821,986	19,286,194	-	21,108,180
2015*	90,029,316	70,114,860	19,914,456	(23,526,380)	(3,611,924)	19,638,821	231,516,024	247,542,921
2014	84,315,390	59,317,860	24,997,530	(20,386,339)	4,611,191	5,516,204	-	10,127,395
2013	85,577,107	59,619,074	25,958,033	(20,675,251)	5,282,782	2,947,604	-	8,230,386
2012	81,790,499	56,622,273	25,168,226	(19,023,050)	6,145,176	1,109,062	-	7,254,238
2011	76,246,433	55,542,274	20,704,159	(21,802,941)	(1,098,782)	1,332,941	-	234,159
2010	75,667,848	58,388,775	17,279,073	(20,269,550)	(2,990,477)	5,841,325	-	2,850,848
2009	75,013,826	62,216,261	12,797,565	(19,873,120)	(7,075,555)	10,542,981	-	3,467,426
2008	78,220,168	60,591,754	17,628,414	(17,224,464)	403,950	25,884,509	-	26,288,459

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

	Fiscal Year			
	2017*	2016*	2015*	2014
Operating Revenues				
Revenues from water sales				
Residential unmetered water sales	\$ 2,446,144	\$ 3,725,916	\$ 9,366,307	\$ 9,731,811
Residential metered water sales	65,829,635	60,198,267	51,796,871	44,137,033
Commercial metered water sales	11,369,179	11,026,132	11,339,953	10,755,824
Irrigation metered & fire protection	11,887,395	11,554,063	11,123,168	10,720,156
Wholesale sales	1,154,907	1,029,954	2,560,399	3,845,593
Total water sales	92,687,260	87,534,332	86,186,698	79,190,417
Hydroelectric revenue	1,788,934	1,175,195	1,366,786	3,045,147
Other operating revenues	2,791,989	3,219,416	2,475,832	2,079,826
Total operating revenues	<u>\$ 97,268,183</u>	<u>\$ 91,928,943</u>	<u>\$ 90,029,316</u>	<u>\$ 84,315,390</u>

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 3 – Operating Revenues by Customer Class
 Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 10,288,324	\$ 10,899,330	\$ 11,611,351	\$ 13,115,143	\$ 14,216,666	\$ 15,310,296
43,957,551	41,476,536	37,636,859	35,962,518	34,646,185	34,940,141
10,885,539	10,473,659	10,214,401	10,112,854	9,812,718	10,326,007
11,031,924	10,129,233	9,007,523	8,894,110	8,716,187	8,880,817
<u>3,748,276</u>	<u>3,473,100</u>	<u>2,938,106</u>	<u>3,136,081</u>	<u>2,833,330</u>	<u>3,228,785</u>
79,911,614	76,451,858	71,408,240	71,220,706	70,225,086	72,686,046
3,557,965	3,519,897	3,079,158	2,577,660	2,769,918	2,836,521
<u>2,107,528</u>	<u>1,818,744</u>	<u>1,759,035</u>	<u>1,869,482</u>	<u>2,018,822</u>	<u>2,697,601</u>
<u>\$ 85,577,107</u>	<u>\$ 81,790,499</u>	<u>\$ 76,246,433</u>	<u>\$ 75,667,848</u>	<u>\$ 75,013,826</u>	<u>\$ 78,220,168</u>

	Fiscal Year			
	2017*	2016*	2015*	2014
Salaries and wages	\$ 17,257,014	\$ 16,541,811	\$ 13,763,006	\$ 12,007,022
Employee benefits	9,047,279	6,364,279	5,271,735	5,045,922
Contract services	6,204,863	7,335,521	6,321,061	4,826,066
Utilities/power	5,201,870	5,386,413	5,449,347	5,189,312
Prof services (general/legal/media/leg)	2,258,454	2,512,154	3,132,132	2,538,097
Supplies	2,635,229	2,700,906	2,572,699	1,736,763
Chemicals	1,984,300	1,803,614	1,554,496	1,383,824
Insurance and claims	719,604	742,006	684,021	501,300
Leases and rentals	146,999	96,290	79,640	70,196
Other expenses	4,829,545	4,998,323	3,387,273	3,802,687
Total operating expenses before depreciation	50,285,157	48,481,317	42,215,411	37,101,189
Depreciation	32,169,578	32,134,190	27,899,449	22,517,885
Total Operating Expenses	<u>\$ 82,454,735</u>	<u>\$ 80,615,507</u>	<u>\$ 70,114,860</u>	<u>\$ 59,619,074</u>

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
Schedule No. 4 – Operating Expenses
Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 11,128,162	\$ 11,049,337	\$ 11,180,101	\$ 11,619,701	\$ 11,665,974	\$ 10,083,912
4,819,187	4,537,531	4,378,347	4,429,266	4,528,891	3,967,687
4,868,532	5,090,741	5,488,432	6,623,576	5,848,255	5,489,563
4,571,453	4,432,932	6,639,620	7,384,879	7,292,830	7,055,167
1,610,614	1,254,751	1,909,575	2,751,236	2,755,823	2,331,511
1,522,106	1,155,351	1,112,419	1,319,905	1,496,065	1,427,467
1,333,002	1,361,144	1,653,424	1,443,177	1,231,681	1,165,321
534,577	608,352	647,983	611,405	644,638	645,064
74,596	84,844	69,472	124,563	-	58,181
3,810,820	3,645,076	3,318,784	3,754,603	4,310,112	4,087,764
34,273,048	33,220,057	36,398,157	40,062,310	39,774,269	36,311,637
22,349,225	22,322,217	21,990,618	22,153,951	20,817,485	19,241,869
<u>\$ 56,622,273</u>	<u>\$ 55,542,274</u>	<u>\$ 58,388,775</u>	<u>\$ 62,216,261</u>	<u>\$ 60,591,754</u>	<u>\$ 55,553,506</u>

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 5 – Nonoperating Revenues and Expenses
 Last Ten Fiscal Years

Fiscal Year	Investment Earnings	Interest Expense	Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or Expenses	Total Nonoperating Expenses
2017*	\$ 7,209,113	\$ (16,968,911)	\$ -	\$ (155,722)	\$ (1,768,783)	\$ (11,684,303)
2016*	6,737,745	(21,549,864)	-	6,460,373	(1,139,704)	(9,491,450)
2015*	2,127,009	(21,281,117)	-	(653,698)	(3,718,574)	(23,526,380)
2014	2,051,156	(21,282,412)	-	(136,300)	(1,018,783)	(20,386,339)
2013	2,007,375	(21,791,975)	-	(21,463)	(869,188)	(20,675,251)
2012	2,277,298	(21,786,675)	791,773	(611,086)	305,640	(19,023,050)
2011	2,322,169	(22,431,967)	274,837	(4,705)	(1,963,275)	(21,802,941)
2010	1,894,518	(22,291,259)	861,091	8,848	(742,748)	(20,269,550)
2009	3,635,126	(23,481,043)	564,277	3,557	(595,037)	(19,873,120)
2008	6,841,981	(24,106,569)	483,631	(91,170)	(352,337)	(17,224,464)

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 6 – Capital Contributions by Source
 Last Ten Fiscal Years

Fiscal Year	Developer Water Rights/ Will Serves	Developer Infrastructure	Developer Other	Water Meter Retrofit Program	Developer Facility Charges	From Other Governments	From Others	Total
2017*	\$ 7,950,666	\$ 10,797,854	\$ 6,062,247	\$ 341,074	\$ 5,116,956	\$ 1,226,863	\$ 11,855,511	\$ 43,351,171
2016*	4,363,692	8,454,980	2,473,163	482,081	2,931,940	224,138	356,200	19,286,194
2015*	1,864,446	2,703,092	1,588,158	1,013,896	2,494,434	276,260	9,698,535	19,638,821
2014	1,529,129	1,723,023	410,447	479,488	963,660	343,628	66,829	5,516,204
2013	201,871	702,699	469,732	174,698	1,047,715	208,227	142,662	2,947,604
2012	173,599	263,249	153,475	173,094	263,089	-	82,556	1,109,062
2011	125,123	507,970	126,899	170,201	252,748	-	150,000	1,332,941
2010	133,305	4,088,095	184,791	248,618	437,933	-	748,583	5,841,325
2009	(25,229)	6,905,953	541,325	359,297	773,955	179,242	1,808,438	10,542,980
2008	2,978,057	8,092,373	2,401,248	1,408,879	3,412,118	7,591,834	-	25,884,509

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 7 – Gallons of Water Sold and Revenues by Category
 Last Ten Fiscal Years

Category	2017*		2016*	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 2,446,145	--	\$ 3,725,916
Residential Metered	16,487,693	65,829,634	14,633,319	60,198,267
Commercial	4,277,917	11,887,395	4,086,057	11,026,132
Other ⁽²⁾	2,749,795	11,369,179	2,579,408	11,554,063
Wholesale	613,051	1,154,907	542,875	1,029,954
Total	24,128,456	\$ 92,687,260	21,841,659	\$ 87,534,332
	2015*		2014	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 9,366,307	--	\$ 9,731,811
Residential Metered	15,151,881	51,796,871	11,581,326	44,137,033
Commercial	4,350,417	11,339,953	3,913,088	10,755,824
Other ⁽²⁾	2,913,757	11,123,168	2,688,389	10,720,156
Wholesale	1,598,995	2,560,399	2,070,593	3,845,593
Total	24,015,050	\$ 86,186,698	20,253,396	\$ 79,190,417
	2013		2012	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 10,288,324	--	\$ 10,899,330
Residential Metered	11,916,455	43,957,551	11,077,177	41,476,536
Commercial	4,083,972	10,885,539	3,902,183	10,473,659
Other ⁽²⁾	2,816,474	11,031,924	2,543,132	10,129,233
Wholesale	1,982,557	3,748,276	1,831,821	3,473,100
Total	20,799,458	\$ 79,911,614	19,354,313	\$ 76,451,858
	2011		2010	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 11,611,351	--	\$ 13,115,143
Residential Metered	10,233,494	37,636,859	9,940,587	35,962,518
Commercial	3,925,081	10,214,401	4,642,286	10,112,854
Other ⁽²⁾	2,279,226	9,007,523	1,858,589	8,894,110
Wholesale	1,573,720	2,938,106	1,284,293	3,136,081
Total	18,011,521	\$ 71,408,240	17,725,755	\$ 71,220,706
	2009		2008	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered ⁽¹⁾	--	\$ 14,216,666	--	\$ 15,310,296
Residential Metered	11,319,330	34,646,185	10,385,949	34,940,141
Commercial	3,051,746	9,812,718	4,547,882	10,326,007
Other ⁽²⁾	3,059,335	8,716,187	2,677,005	8,880,817
Wholesale	1,659,709	2,833,330	1,763,412	3,228,785
Total	19,090,120	\$ 70,225,086	19,374,248	\$ 72,686,046

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

⁽¹⁾ Complete consumption information is not available for unmetered customers.

⁽²⁾ These accounts include irrigation and non metered fire protection/sprinkler systems located on the premises of residential and commercial

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 8 – Ten Largest Customers
 June 30, 2017

<u>Customer Name</u>	<u>Water Used (000s Gallons)</u>	<u>Total Revenue</u>	<u>% of Total Water Sales</u>
1 Sun Valley Water	613,051	\$ 1,169,318	1.3%
2 Washoe County School District	281,880	843,548	0.9%
3 City of Reno	262,900	895,149	1.0%
4 Washoe County	166,341	500,413	0.5%
5 City of Sparks	137,884	471,955	0.5%
6 Nevada Properties (Peppermill)	174,416	441,686	0.5%
9 GSR Holdings, LLC	219,515	407,345	0.4%
7 University of Nevada Reno	153,134	387,555	0.4%
8 Somersett HOA	109,268	375,384	0.4%
10 Sparks LLC Nugget	112,997	297,456	0.3%
 Totals	 <u>2,231,386</u>	 <u>\$ 5,789,809</u>	 <u>6.2%</u>

City of Reno includes the Reno Housing Authority.

	Fiscal Year			
	2017*	2016*	2015*	2014
Operating revenues ⁽¹⁾	\$ 92,687	\$ 87,534	\$ 86,187	\$ 79,190
Nonoperating revenues ⁽²⁾	11,790	11,132	5,970	7,176
Gross revenues	104,477	98,666	92,157	86,366
Operation and maintenance expenses ⁽³⁾	49,823	48,030	41,772	35,850
Contribution to water rate stabilization	-	-	-	-
Taxes other than income taxes ⁽⁴⁾	462	451	443	440
Total expenses	50,285	48,481	42,215	36,290
Net Revenues	\$ 54,192	\$ 50,185	\$ 49,942	\$ 50,076
Senior Lien Annual Debt Service ⁽⁵⁾	\$ 18,916	\$ 31,780	\$ 29,955	\$ 31,285
Senior Lien Debt Coverage excluding SDCs	2.86	1.58	1.67	1.60
System Development Charges (SDCs):				
Developer facility charges	\$ 5,117	\$ 2,932	\$ 2,494	\$ 964
Developer capital contributions - other	6,062	2,473	1,588	410
Senior Lien Debt Coverage including SDCs ⁽⁶⁾	3.46	1.75	1.80	1.64

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

⁽¹⁾ Includes retail residential, commercial, irrigation water sales, and wholesale water sales net of bad debt expense.

⁽²⁾ Reflects hydroelectric revenues, other miscellaneous operating revenues from fees and charges, as well as gross investment income before reduction by capitalized investment income as required by Financial Accounting Standards Board Pronouncement (FASB) 62.

⁽³⁾ Includes water supply, treatment, distribution, hydroelectric power plant maintenance customer service, water resource planning, conservation programs, administration, and inspection services. Wages and salaries, employee benefits, and services and supplies comprise these expenses.

⁽⁴⁾ The Authority is required to pay property taxes on water rights and storage facilities located in California. During the reported fiscal years TMWA paid various counties in California for hydroelectric facilities, and water storage rights in California.

⁽⁵⁾ This schedule does not include the payments on the DWSRF loan or the tax-exempt commercial paper, which are subordinate to the 2015-A, 2016 and 2017 Refunding Bonds.
Excludes capitalized interest expense which would reduce total interest expense pursuant to FASB 34.

⁽⁶⁾ TMWA's bond covenants require a minimum coverage of 1.25x total principal and interest payments. In fiscal year 2012, TMWA defeased the remaining 2001-A bonds. This resulted in a one-time increase in the senior lien debt coverage ratio. Without this defeasance, the senior lien debt coverage ratio would be 1.52x.
In fiscal year 2017, TMWA deferred principal payments on debt which increased the debt coverage ratio.

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Truckee Meadows Water Authority
 Schedule No. 9 – Debt Service Coverage Ratios
 Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 79,912	\$ 76,452	\$ 71,408	\$ 71,221	\$ 70,225	\$ 72,686
7,672	7,643	7,253	6,669	9,197	13,822
<u>87,584</u>	<u>84,095</u>	<u>78,661</u>	<u>77,890</u>	<u>79,422</u>	<u>86,508</u>
36,672	33,851	32,802	35,979	39,646	39,342
-	-	-	-	-	-
429	422	418	419	416	432
<u>37,101</u>	<u>34,273</u>	<u>33,220</u>	<u>36,398</u>	<u>40,062</u>	<u>39,774</u>
<u>\$ 50,483</u>	<u>\$ 49,822</u>	<u>\$ 45,441</u>	<u>\$ 41,492</u>	<u>\$ 39,360</u>	<u>\$ 46,734</u>
<u>\$ 29,672</u>	<u>\$ 21,295</u>	<u>\$ 31,191</u>	<u>\$ 31,124</u>	<u>\$ 31,420</u>	<u>\$ 31,427</u>
<u>1.70</u>	<u>2.34</u>	<u>1.46</u>	<u>1.33</u>	<u>1.25</u>	<u>1.49</u>
\$ 1,048	\$ 263	\$ 253	\$ 438	\$ 774	\$ 3,412
470	153	127	185	541	2,401
<u>1.75</u>	<u>2.36</u>	<u>1.47</u>	<u>1.35</u>	<u>1.29</u>	<u>1.67</u>

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12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 10 – Schedule of Total Building Permits Issued by Jurisdiction/Member Entity
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Washoe County</u>	<u>City of Reno</u>	<u>City of Sparks</u>
2017	2,615	5,399	3,636
2016	2,121	5,144	3,712
2015	1,807	4,792	3,581
2014	1,669	4,316	2,579
2013	1,516	3,214	2,393
2012	1,578	2,917	2,463
2011	1,272	2,919	1,763
2010	1,279	3,030	2,007
2009	1,586	3,592	2,579
2008	2,222	4,744	3,636

Source: As reported by each local governmental entity.

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Per Capita Income ⁽²⁾</u>	<u>Median Age ⁽³⁾</u>	<u>School Enrollment ⁽⁴⁾</u>	<u>Total Personal Income ⁽¹⁾</u>	<u>Unemployment Rate (Percent) ⁽⁵⁾</u>
2017	459,142	\$ 48	37.5	63,919	\$ 21,265,000	4.0%
2016	451,248	51	37.5	63,670	20,165,000	5.9%
2015	441,165	48	37.4	63,108	19,077,000	6.4%
2014	436,647	48	37.6	62,986	18,833,000	7.2%
2013	434,120	47	37.6	62,424	18,284,145	9.8%
2012	427,704	45	37.4	62,323	17,849,009	12.3%
2011	421,593	49	37.2	62,324	17,944,975	13.2%
2010	417,379	47	37.0	62,452	17,421,365	13.6%
2009	416,632	45	36.4	63,310	18,550,337	11.7%
2008	423,833	46	36.5	63,635	19,392,856	6.8%

Sources:

⁽¹⁾ US Census-Nevada, 2008 - 2012.

Washoe County Community Development, 2013 - 2017.

⁽²⁾ U.S. Department of Commerce, 2008.

Washoe County Community Demographic Information 2009 - 2017.

⁽³⁾ Center for Regional Studies, University of Nevada, Reno 2009 - 2017.

⁽⁴⁾ Washoe County School District.

⁽⁵⁾ State Department of Employment, Training and Rehabilitation (DETR).

⁽⁶⁾ Washoe County Building and Safety Department.

⁽⁷⁾ Nevada State Department of Taxation.

⁽⁸⁾ Nevada State Gaming Control Board.

⁽⁹⁾ Reno/Tahoe International Airport. (RTIA)

Schedule No. 11 – Selected Demographic and Economic Statistics for Washoe County
 Last Ten Fiscal Years

Total Labor Force ⁽⁵⁾	Construction Activity Total Value ⁽⁶⁾	Number of New Family Units ⁽⁶⁾	Taxable Sales ⁽⁷⁾	Gross Income Gaming Revenue ⁽⁸⁾	Total Passenger Air Traffic ⁽⁹⁾
232,719	240,534,583	394	\$ 7,989,009,111	\$ 805,557,000	3,819,896
231,570	231,741,537	320	7,550,466,734	789,359,000	3,563,818
228,430	246,627,580	255	6,817,588,648	765,248,320	3,297,642
222,607	225,096,997	198	6,370,684,534	744,962,250	3,312,839
219,607	126,468,377	159	5,824,726,136	741,038,030	3,514,421
221,764	95,875,949	83	5,522,605,351	738,151,877	3,561,557
212,480	67,721,019	55	5,282,935,192	751,466,957	3,795,421
221,954	55,952,010	35	5,176,981,699	788,545,658	3,777,701
224,089	85,657,662	103	5,707,791,051	867,202,273	3,979,015
221,785	202,519,159	240	6,823,701,000	996,615,975	4,841,257

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12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 12 – Principal Employers
 Current and Nine Years Ago

Employer	June 30, 2017			June 30, 2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washoe County School District	8,750	1	4.16%	7,250	1	3.24%
University of Nevada - Reno	4,750	2	2.26%	4,250	2	1.90%
Renown (Washoe) Medical Center	3,250	3	1.55%	2,250	5	1.01%
Washoe County	2,750	4	1.31%	3,250	3	1.45%
Peppermill Hotel Casino - Reno	2,250	5	1.07%	2,250	7	1.01%
Grand Sierra Resort	2,250	6	1.07%	-	-	
International Gaming Technology	1,750	7	0.83%	2,750	4	1.23%
Atlantis Casino Resort	1,750	8	0.83%	1,750	9	0.78%
Silver Legacy Resort Casino	1,750	9	0.83%	2,250	6	1.01%
St. Mary's	1,750	10	0.83%	-	-	
Sparks Nugget	-			1,750	10	0.78%
City of Reno	-			2,250	8	1.01%
Total Washoe Covered Employment	<u>210,251</u>			<u>223,590</u>		

Note: Each of the years reflect respective 4th quarter information. Nevada Revised Statute Chapter 612 stipulates that ac employment for individual employers may not be published. The number of employees is estimated using the midpoint.

Source: Nevada Department of Employment Training and Rehabilitation (DETR)

Customers by Category as of June 30, 2017*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	695	0.6%	\$ 2,446,145	2.6%
Residential Metered	109,939	91.2%	65,829,634	71.0%
Commercial and Irrigation	9,931	8.2%	11,887,395	12.8%
Other ⁽²⁾	2	0.0%	11,369,179	12.3%
Wholesale	2	0.0%	1,154,907	1.2%
Total	120,569	100.0%	\$ 92,687,260	100.0%
Customers by Category as of June 30, 2016*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	2,062	1.7%	\$ 3,725,916	4.3%
Residential Metered	106,730	89.9%	60,198,267	68.8%
Commercial and Irrigation	9,873	8.3%	11,026,132	12.6%
Other ⁽²⁾	3	0.0%	11,554,063	13.2%
Wholesale	1	0.0%	1,029,954	1.2%
Total	118,669	100.0%	\$ 87,534,332	100.0%
Customers by Category as of June 30, 2015*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,224	5.2%	\$ 9,366,307	10.7%
Residential Metered	100,446	84.6%	51,796,871	59.2%
Commercial and Irrigation	9,648	8.1%	11,339,953	13.0%
Other ⁽²⁾	4,528	3.8%	11,123,168	12.7%
Wholesale	2	0.0%	2,560,399	2.9%
Total	120,848	101.8%	\$ 86,186,698	98.5%
Customers by Category as of June 30, 2014				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,379	6.7%	\$ 9,731,811	12.3%
Residential Metered	76,422	80.0%	44,137,033	55.7%
Commercial and Irrigation	8,743	9.1%	10,755,824	13.6%
Other ⁽²⁾	4,008	4.3%	10,720,156	13.5%
Wholesale	2	0.0%	3,845,593	4.9%
Total	95,554	100.0%	\$ 79,190,417	100.0%
Customers by Category as of June 30, 2013				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	6,927	7.3%	\$ 10,288,324	12.9%
Residential Metered	75,113	79.3%	43,957,551	55.0%
Commercial and Irrigation	8,702	9.2%	10,885,539	13.6%
Other ⁽²⁾	3,965	4.2%	11,031,924	13.8%
Wholesale	2	0.0%	3,748,276	4.7%
Total	94,709	100.0%	\$ 79,911,614	100.0%

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Truckee Meadows Water Authority
 Schedule No. 13 – Customer and Water Sales by Category
 Last Ten Fiscal Years

Customers by Category as of June 30, 2012				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	7,699	8.2%	\$ 10,899,330	14.3%
Residential Metered	73,836	78.3%	41,476,536	54.3%
Commercial and Irrigation	8,695	9.2%	19,245,940	25.2%
Other ⁽²⁾	4,088	4.3%	1,356,952	1.8%
Wholesale	2	0.0%	3,473,100	4.5%
Total	94,320	100.0%	\$ 76,451,858	100.0%

Customers by Category as of June 30, 2011				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	8,685	9.3%	\$ 11,611,351	16.3%
Residential Metered	72,457	77.3%	37,636,859	52.7%
Commercial and Irrigation	8,564	9.1%	17,921,409	25.1%
Other ⁽²⁾	4,078	4.3%	1,300,515	1.8%
Wholesale	2	0.0%	2,938,106	4.1%
Total	93,786	100.0%	\$ 71,408,240	100.0%

Customers by Category as of June 30, 2010				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	10,403	11.1%	\$ 13,115,143	18.4%
Residential Metered	70,556	75.6%	35,962,518	50.5%
Commercial and Irrigation	8,465	9.1%	17,872,178	25.1%
Other ⁽²⁾	3,943	4.2%	1,134,786	1.6%
Wholesale	7	0.0%	3,136,081	4.4%
Total	93,374	100.0%	\$ 71,220,706	100.0%

Customers by Category as of June 30, 2009				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential -Unmetered	12,590	13.5%	\$ 14,216,666	20.2%
Residential Metered	68,557	73.4%	34,646,185	49.3%
Commercial and Irrigation	8,397	9.0%	17,573,511	25.0%
Other ⁽²⁾	3,808	4.1%	955,394	1.4%
Wholesale	7	0.0%	2,833,330	4.0%
Total	93,359	100.0%	\$ 70,225,086	100.0%

Customers by Category as of June 30, 2008				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	14,063	15.1%	\$ 15,310,296	21.1%
Residential Metered	67,357	72.3%	34,940,141	48.1%
Commercial and Irrigation	8,203	8.8%	18,305,887	25.2%
Other ⁽²⁾	3,595	3.9%	900,937	1.2%
Wholesale	7	0.0%	3,228,785	4.4%
Total	93,225	100.0%	\$ 72,686,046	100.0%

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

⁽¹⁾ Water Revenues are revenues that are billed and estimated for the fiscal year periods. Estimated revenues are revenues for water deliveries just prior to fiscal year end that are unbilled until July of the next fiscal year.

⁽²⁾ Includes non metered private fire protection services located on the premises of commercial and some residential customers.

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12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 14 – Schedule of Insurance Coverage
 June 30, 2017

Coverage	Carrier/Policy	Term	Limits/Deductible
Property/Boiler and Machinery Policy	America Home Assurance Company (AIG)	6/11/2015 to 6/11/2017	Blanket limit of \$245,000,000 per occurrence with sub-limits of \$50,000,000 for earthquake for Earth Movement (excluding CA properties) and \$10,000,000 for flood (excluding Glendale plant). Equipment Breakdown \$100,000,000. Deductibles for flood and earth movement are \$100,000 per occurrence for each location; general policy deductible is \$25,000.
General Liability and Business Automobile Policy	Arch Insurance Company	6/11/2016 to 6/11/2017	First \$1,000,000 in liability limits. General Liability Aggregate limit of \$3,000,000 Inland Marine Physical Damage \$834,750 General liability deductible of \$25,000 per occurrence. Auto Physical Damage deductible Of \$1,000.
Excess Umbrella Liability Policy	Arch Insurance Company	6/11/2016 to 6/11/2017	First Layer Excess Liability limit of \$10,000,000.
	Travelers Insurance Company	6/11/2016 to 6/11/2017	Second Layer Excess Liability Limit of \$10,000,000
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/2016 to 6/11/2017	Fully insured for statutory limits under Workers' Compensation with no deductible. Policy also provides \$1,000,000 limit for Employer's Liability.
Employee Health Insurance	By contract with the City of Reno's health insurance programs	6/11/2016 to 6/11/2017	Varies by plan selected.
Commercial Crime/ Government Crime	Fidelity & Deposit Company of Maryland	6/11/2016 to 6/11/2017	Employee Theft / Forgery or Alteration Computer Fraud/Funds Transfer Fraud \$3,000,000 per loss. Employee Theft including expenses, Inside/Outside Premises Money and Securities, Robbery or Safe Burglary, Money Orders, Counterfeit Currency, Credit Card Forgery, Faithful Performance, Telephone Toll \$1,000,000. Fraudulent Impersonation \$250,000
	Zurich		
Network Security/ Cyber Risk	Travelers Insurance Company	6/11/2016 to 6/11/2017	Network Information, Communications Media, Regulatory Defense, Crisis Management, Security Breach Remediation, Computer Program/Data Restoration, Computer Fraud, E-Commerce Extortion Business Interruption \$3,000,000 Each claim \$25,000 Deductible
Kidnap and Ransom	National Union Fire Insurance Company	6/11/2016 to 6/11/2017	Ransom, In-Transit Delivery, Expenses, Judgements Settlements, and Defense \$3,000,000 Death or Dismemberment \$250,000 / \$1,250,00 person/event. Disappearance /Threat \$100,000 Hostage Crisis \$500,000

	Fiscal Year			
	2017*	2016*	2015*	2014
Administration/IT	28	28	22	20
Supply/Treatment Operations	39	32	30	31
Distribution Maintenance	66	63	62	48
Hydroelectric	7	6	6	6
Customer Service/Conservation	23	25	24	20
Water Planning/Resources	15	19	19	13
Engineering/Construction	28	24	23	14
Total Authorized Employees	206	197	186	152

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 15 – Number of Employees by Identifiable Activity
 Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
18	20	22	22	25	23
26	27	28	28	32	28
45	44	42	45	45	45
7	8	7	5	6	7
26	33	28	41	42	39
15	12	13	14	11	10
15	11	14	15	17	22
152	155	154	170	178	174

Customer Charges By Meter Size	2017*			2016*			2015*		
	TMWA	WC	STMGID	TMWA	WC	STMGID	TMWA	WC	STMGID
3/4"	\$ 19.10	\$ 17.95	\$ 9.77	\$ 18.54	\$ 17.43	\$ 9.49	\$ 18.54	\$ 17.43	\$ 9.49
1"	21.01	23.09	11.96	20.40	22.42	11.61	20.40	22.42	11.61
1 1/2"	23.90	33.03	16.96	23.20	32.07	16.47	23.20	32.07	16.47
2"	27.71	44.04	n/a	26.90	42.76	n/a	26.90	42.76	n/a
3"	31.52	70.92	n/a	30.60	68.85	n/a	30.60	68.85	n/a
4"	36.26	103.87	n/a	35.20	100.84	n/a	35.20	100.84	n/a
6"	42.02	189.37	n/a	40.80	183.85	n/a	40.80	183.85	n/a

Commodity Charge (all meter sizes)

TMWA Tier 1	1.77		1.72		1.72
TMWA Tier 2	2.86		2.78		2.78
TMWA Tier 3	3.35		3.25		3.25
WC Tier 1		2.70		2.62	2.62
WC Tier 2		3.37		3.27	3.27
WC Tier 3		4.05		3.93	3.93
WC Tier 4		5.41		5.25	5.25
STMGID Tier 1			1.40		1.36
STMGID Tier 2			1.85		1.80
STMGID Tier 3			2.28		2.21
STMGID Tier 4			2.66		2.58
STMGID Tier 5			2.81		2.73

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$100.63	\$ 89.82	\$ 46.26	\$100.63	\$ 89.82	\$ 44.91	\$100.63	\$ 89.82	\$ 44.91
1"	144.90	90.18	46.26	144.90	90.18	44.91	144.90	90.18	44.91
1 1/2"	262.60	92.12	46.26	262.60	92.12	44.91	262.60	92.12	44.91
2"	374.30	93.55	46.26	374.30	93.55	44.91	374.30	93.55	44.91
3"	469.90	94.96	46.26	469.90	94.96	44.91	469.90	94.96	44.91
4"	595.70	99.18	46.26	595.70	99.18	44.91	595.70	99.18	44.91
6"	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service.

TMWA rates took effect on June 11, 2001, and were revised effective May 2009, May 2010, February 2012, February 2014, June 2016 and May 2017

*2017, 2016 and 2015 rates reflect differences in charges between TMWA and the former Washoe County and South Truckee Meadows General Improvement District customers after consolidation.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 16 – Current and Historical Water Rates
 Last Ten Fiscal Years

		Fiscal Year											
		2014	2013	2012	2011	2010	2009	2008					
\$	18.54	\$	17.12	\$	17.12	\$	15.70	\$	15.70	\$	15.70	\$	15.70
	20.40		18.80		18.80		17.30		17.30		17.30		17.20
	23.20		21.40		21.40		19.60		19.60		19.60		19.60
	26.90		24.80		24.80		22.80		22.80		22.80		22.80
	30.60		28.20		28.20		25.90		25.90		25.90		25.90
	35.20		32.50		32.50		29.80		29.80		29.80		29.80
	40.80		37.70		37.70		34.50		34.50		34.50		34.50
	1.72		1.72		1.72		1.72		1.72		1.63		1.58
	2.78		2.78		2.78		2.78		2.78		2.64		2.50
	3.25		3.25		3.25		3.25		3.25		3.05		2.91
\$	100.63	\$	94.10	\$	94.10	\$	86.30	\$	86.30	\$	84.20	\$	74.90
	144.90		135.50		135.50		124.30		124.30		121.20		106.20
	262.60		245.60		245.60		225.20		225.20		219.80		184.90
	374.30		350.10		350.10		321.00		321.00		313.20		264.10
	469.90		439.40		439.40		403.00		403.00		393.20		331.90
	595.70		557.10		557.10		510.00		510.00		498.50		420.30
	n/a		n/a		n/a		n/a		n/a		n/a		n/a

	Fiscal Year			
	2017*	2016*	2015*	2014
Miles of water mains	1,961	1,940	1,915	1,341
Number of storage tanks	93	93	93	42
Number of Finished Water Storage	2	2	2	2
Number of pump stations	113	121	112	93
Number of wells	81	79	86	32
Treatment capacity (millions of gallons/day)				
Glendale Plant	34.5	34.5	37.5	37.5
Chalk Bluff	90	90	95	95
Longley Lane	3.6	3.6	4	

* Fiscal Years 2017, 2016 and 2015 reflect changes as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

MGD = millions of gallons per day

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 17 – Selected Operating and Capital Indicators
 Last Ten Fiscal Years

Fiscal Year						
2013	2012	2011	2010	2009	2008	
1,337	1,352	1,339	1,332	1,330	1,310	
42	42	42	42	42	38	
2	2	2	2	2	2	
94	95	94	96	108	96	
32	32	32	32	32	32	
37.5	37.5	25	25	25	25	
95	95	95	95	89	89	

	Final Maturity Date	Authorized	Balance June 30, 2017	Balance June 30, 2016	Balance June 30, 2015
2001 A Water Revenue (Tax Exempt) Bonds 3.70%-5.50%	7/1/2034	\$ 448,810,000	\$ -	\$ -	\$ -
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	4,669,565	2,358,926	2,613,744	2,860,578
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	-	-	890,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	-	400,000	148,415,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	-	214,290,000	214,800,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,545,859	1,669,527	1,793,197
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	-	-	9,435,000
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,555,353	3,772,013	3,981,798
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	7,176,120	7,965,667	8,733,487
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	27,920,000	28,750,000	28,750,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	1/1/2035	15,000,000	8,971,562	8,239,034	-
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	1/1/2025	124,790,000	124,790,000	124,790,000	-
2017 Water Revenue (Tax Exempt) Refunding Bonds 4.50% -5.00%	1/1/2025	147,415,000	147,415,000	-	-
Subtotal			323,732,820	392,489,985	419,659,060
Less unamortized net bond discount (premium)			(51,182,862)	(28,441,399)	(3,673,290)
Total debt before tax exempt commercial paper			374,915,682	420,931,384	423,332,350
Tax-Exempt Commercial Paper		137,000,000	83,400,000	87,800,000	95,000,000
Total Debt			<u>\$458,315,682</u>	<u>\$508,731,384</u>	<u>\$518,332,350</u>

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 18 – Schedule of Changes in Debt
 Last Ten Fiscal Years

Balance June 30, 2014	Balance June 30, 2013	Balance June 30, 2012	Balance June 30, 2011	Balance June 30, 2010	Balance June 30, 2009	Balance June 30, 2008
\$ -	\$ -	\$ -	\$ 8,810,000	\$ 28,590,000	\$ 66,035,000	\$ 73,600,000
3,099,675	3,331,277	3,555,620	3,772,931	3,983,431	4,187,333	4,384,844
34,795,000	35,620,000	36,415,000	37,180,000	37,920,000	38,635,000	39,330,000
148,785,000	149,140,000	149,485,000	149,815,000	150,135,000	150,445,000	150,745,000
215,285,000	215,745,000	216,185,000	216,605,000	217,005,000	217,385,000	217,745,000
1,916,866	2,040,534	2,164,202	2,282,661	2,309,945	-	-
19,855,000	28,240,000	28,240,000	28,240,000	28,240,000	-	-
4,184,928	4,381,614	4,381,614	3,921,904	201,110	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
427,921,468	438,498,425	440,426,436	450,627,496	468,384,486	476,687,333	485,804,844
(35,590)	(661,198)	(1,286,806)	(3,440,321)	(4,371,510)	(2,267,963)	(2,672,587)
427,957,058	439,159,623	441,713,242	454,067,817	472,755,996	478,955,296	488,477,431
68,000,000	68,000,000	79,400,000	79,400,000	68,000,000	68,000,000	68,000,000
<u>\$ 495,957,058</u>	<u>\$ 507,159,623</u>	<u>\$ 521,113,242</u>	<u>\$ 533,467,817</u>	<u>\$ 540,755,996</u>	<u>\$ 546,955,296</u>	<u>\$ 556,477,431</u>

	Fiscal Year			
	2017*	2016*	2015*	2014
Total Debt	\$ 407,132,820	\$ 480,289,985	\$ 514,659,060	\$ 495,921,468
Total Service Connections	118,348	116,653	114,529	89,070
Debt per Service Connection	\$ 3,440	\$ 4,117	\$ 4,494	\$ 5,568

Note: Service Connections include residential and commercial connections only. Irrigation, fire protection, and wholesale connections have been excluded.

*2017, 2016 and 2015 Service Connections reflect the increase as a result of the water utility consolidation discussed in MD&A and the notes to financial statements.

12-05-17 SAC Agenda Item 7
Truckee Meadows Water Authority
 Schedule No. 19 – Debt by Service Connection
 Last Ten Fiscal Years

Fiscal Year					
2013	2012	2011	2010	2009	2008
\$ 506,498,425	\$ 519,826,436	\$ 530,027,496	\$ 536,384,486	\$ 544,687,333	\$ 553,804,844
88,268	87,464	87,013	86,781	86,948	87,163
\$ 5,738	\$ 5,943	\$ 6,091	\$ 6,181	\$ 6,265	\$ 6,354

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Compliance Section
Truckee Meadows Water Authority

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 Directors
Truckee Meadows Water Authority
Reno, Nevada

We have audited, 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, the financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TMWA'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 TMWA's internal control. Accordingly, we do not express an opinion on the effectiveness of TMWA'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TMWA's financial statements are free from 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*.

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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Reno, Nevada
November 29, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

Report on Compliance for the Major Federal Program

We have audited Truckee Meadows Water Authority's (TMWA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on TMWA's major federal program for the year ended June 30, 2017. TMWA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance of TMWA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TMWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of TMWA's compliance.

Basis for Qualified Opinion on the Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, TMWA did not comply with requirements regarding CFDA 15.508, Providing Water to At-Risk Natural Desert Terminal Lakes, as described in finding number 2017-001 for Period of Performance. Compliance with such requirements is necessary, in our opinion, for TMWA to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, TMWA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

Truckee Meadows Water Authority's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. TMWA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of TMWA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered TMWA's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Truckee Meadows Water Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. Our consideration of internal control over compliance 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 and significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a material weaknesses.

TMWA's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. TMWA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Sallee LLP

Reno, Nevada
November 29, 2017

Auditor's Comments

To the Board of Directors
Truckee Meadows Water Authority
Reno, Nevada

In connection with our audit of the financial statements of the Truckee Meadows Water Authority (TMWA) as of and for the year ended June 30, 2017, and the related notes to the financial statements, nothing came to our attention that caused us to believe that TMWA failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding TMWA's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

Statute Compliance

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

Progress on Prior Year Statute Compliance

TMWA conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2016.

Prior Year Recommendations

See the Summary Schedule of Prior Year Audit Year Findings under separate cover.

Current Year Recommendations

See the Schedule of Findings and Questioned Costs.



Reno, Nevada
November 29, 2017

Truckee Meadows Water Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title/Cluster/Pass-through Grantor	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Payments to Subrecipients
U.S. Department of the Interior				
Direct Award				
Bureau of Reclamation				
Providing Water to At-Risk Natural Desert Terminal Lakes - Truckee River Operating Agreement (TROA - Desert Terminal Lakes Program - TROA Completion and Implementation)	15.508	R10AP20768	\$ 1,164,254	\$ -
Reclamation States Emergency Drought Relief Drought Contingency Plan Update	15.514	R15AC00077	62,609	-
Total U.S. Department of the Interior			<u>1,226,863</u>	<u>-</u>
U.S. Environmental Protection Agency				
Pass-through from State of Nevada				
Department of Conservation and Natural Resources - Division of Environmental Protection				
Capitalization Grants for Drinking Water State Revolving Funds - North Valleys Integration Project	66.468	DW1601	659,899	-
Total U.S. Environmental Protection Agency			<u>659,899</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,886,762</u></u>	<u><u>\$ -</u></u>

Notes to the Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the TMWA, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. TMWA received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Subpart E – Cost Principles of the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. TMWA's summary of significant accounting policies is presented in Note 1 in TMWA's basic financial statements. The organization has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies not considered to be material weaknesses?	None reported
Noncompliance material to financial statements notes?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified?	Yes
Significant deficiencies not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Providing Water to At-Risk Natural Desert Terminal Lakes – Truckee River Operating Agreement (TROA – Desert Terminal Lakes Program – TROA Completion and Implementation)	15.508
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

None reported in the current year.

Section III – Federal Award Findings and Questioned Costs

**2017-001: U.S. Bureau of Reclamation
 Providing Water to At-Risk Natural Desert Terminal Lakes, CFDA 15.508**

Period of Performance

Material Weakness in Internal Control over Compliance and Material Noncompliance

<i>Grant Award Number:</i>	Potentially affects grant award #R10AP20768 included under CFDA 15.508 on the Schedule of Expenditures of Federal Awards.
<i>Criteria:</i>	The <i>OMB Compliance Supplement</i> requires that when Federal awards specify a time period during which non-Federal entities may use Federal funds, the non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period.
<i>Condition:</i>	Expenditures incurred outside of the period of performance were submitted for reimbursement, resulting in payments being made for obligations that were incurred outside of the grant's period of performance.
<i>Cause:</i>	TMWA did not have adequate internal controls to ensure that amounts charged to Federal awards were for obligations incurred during the period of performance.
<i>Effect:</i>	TMWA may be required to repay these funds at a later date.
<i>Questioned Costs:</i>	CFDA 15.508- \$83,791 (Award #R10AP20768)
<i>Context/Sampling:</i>	A nonstatistical sample of 17 out of 112 expenditures was selected for testing. We noted five instances where amounts were paid for obligations incurred outside of the period of performance. After further review of the population, we noted 22 total instances of amounts paid for obligations outside of the period of performance.
<i>Repeat Finding from Prior Year:</i>	No
<i>Recommendation:</i>	We recommend TMWA enhance internal controls to ensure that amounts charged to Federal awards are for obligations incurred during the period of performance.
<i>Views of Responsible Officials:</i>	TMWA agrees with this finding.



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: November 28, 2017
SUBJECT: Update on Standing Advisory Committee Membership

Please find attached the 2018 Standing Advisory Committee (SAC) membership. Those whose term-limits expire on December 31, 2017 have been notified. The final SAC membership list will be presented to the Board for approval at the December meeting.

TMWA Standing Advisory Committee
Term Appointments
2018 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends
Wholesale (Sun Valley)	Fred Schmidt	2005	12/31/2017	N/A		
Irrigation	Neil McGuire	2005	12/31/2018	Vacant		
Multi-family Residential	Jonnie Pullman	2012	12/31/2017	Mike Shulewitch	2013	12/31/2018
Commercial	Donald Kowitz	2017	12/31/2018	Kevin Haddock	2011	12/31/2018
Senior Citizen	Robert Chambers	2005	12/31/2018	Karl Katt	2013	12/31/2018
At-Large 1	Ken McNeil	2013	12/31/2018	Ken Becker	2017	12/31/2018
At-Large 2	Mike Pidlypchak	2013	12/31/2018	Jordan Hastings	2017	12/31/2018
Residential:						
Representative 1	Carol Litster	2014	12/31/2018	Dale Sanderson	2017	12/31/2018
Representative 2	Harry Culbert	2006	12/31/2018	Fred Arndt	2017	12/31/2018
Representative 3	Jerry Wager	2014	12/31/2018	Scot Munns	2017	12/31/2018
Appointments:						
BANN	Colin Hayes	2010	12/31/2017	Jim Smith	2010	12/31/2017
Reno-Sparks Chamber	Bruce Gescheider	2009	12/31/2017	Bill Hughes	2016	12/31/2017



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, SAC Liaison
DATE: November 27, 2017
SUBJECT: **Presentation of 2018 meeting schedule**

The TMWA Standing Advisory Committee meets the first Tuesday of each month at 3:00 p.m. The schedule of proposed meeting dates for 2018 is:

- Tuesday, January 2
- Tuesday, February 6
- Tuesday, March 6
- Tuesday, April 3
- Tuesday, May 1
- Tuesday, June 5
- Tuesday, July 3
- Tuesday, August 7
- Tuesday, September 4
- Tuesday, October 2
- Tuesday, November 6
- Tuesday, December 4

Meetings that appear on this schedule may be cancelled or changed due to lack of agenda items or other considerations.