



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, March 5, 2019 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 November 6, 2018 meeting (**For Possible Action**)
5. Discussion and possible recommendation regarding bills in the 2019 Legislative Session that may affect TMWA — John Zimmerman and Steve Walker (**For Possible Action**)
6. Water Supply Update — Bill Hauck*

7. Presentation on the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018 — Matt Bowman*
8. Presentation of Financial Performance for First Half Fiscal Year 2019 —Matt Bowman*
9. Presentation on new development at TRICenter — John Enloe*
10. Presentation of applications to fill two vacancies on the Standing Advisory Committee, and possible recommendation to the Board — Sonia Folsom (**For Possible Action**)
11. Discussion and possible direction to staff regarding agenda items for future meetings (**For Possible Action**)
12. Staff Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
13. Committee Items* (Unless otherwise listed with a topic description, this portion of the agenda is limited to announcements)
14. Public Comment — limited to no more than three minutes per speaker*
15. Adjournment (**For Possible Action**)



STANDING ADVISORY COMMITTEE

DRAFT MINUTES

November 6, 2018

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 3:01 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Bob Chambers, *Harry Culbert, Colin Hayes, Bill Hughes, Don Kowitz (via phone), Neil McGuire, Ken McNeil, Mike Pidlypchak, Dale Sanderson, Mike Schulewitch, Fred Schmidt and Jerry Wager.

Alternates Present: Fred Arndt, Ken Becker, Kevin Haddock, Jordan Hastings, **Karl Katt, and Jim Smith.

Primary Members and Alternates Absent: Carol Litster, Scot Munns, and Jonnie Pullman.

Staff Present: Matt Bowman, Robert Charpentier, Elizabeth Crook, Andy Gebhardt, John Enloe, Scott Estes, Sonia Folsom, Will Raymond, Shawn Stoddard, Michele Sullivan, John Zimmerman, Legal Counsel Debbie Leonard, and Marlene Olsen, GoodStanding.

**Member Culbert left at 4:20 p.m.*

***Member Katt left at 4:53 p.m.*

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE SEPTEMBER 4, 2018 MEETING

Upon motion duly made by Member Hayes and seconded by Member Chambers, and carried by unanimous consent of the members present, the Committee approved the September 4, 2018 meeting minutes.

5. RECOGNITION OF MIKE PIDLYPCHAK, SAC VICE CHAIRMAN

Chair McGuire recognized Vice Chair Pidlypchak for his many years of service to the Committee and as member and vice chair and presented him with a plaque.

Vice Chair Pidlypchak thanked Chair McGuire and all the Committee members.

Chair McGuire moved up agenda items #7 and #8 due to Shawn Stoddard, TMWA Senior Resource Economist, having been delayed.

7. UPDATE ON THE FUNDING POLICY AND RATE STABILIZATION FUND ACTION BY THE BOARD

Michele Sullivan, TMWA Chief Financial Officer, informed the Committee the Board approved the new funding policy (reserves that are outlined in debt covenants and unrestricted reserves) and amending the rate stabilization fund to 3% of projected annual water sales, which would increase maximum funding from \$7.5 million to approximately \$9.1 million.

8. PRESENTATION OF PRELIMINARY FUNDING PLAN FOR FISCAL YEARS 2019 THROUGH 2023, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

Ms. Sullivan presented the agenda item, the FY2019-2023 Funding Plan, which projects revenue and principal interest requirements and capital spending that will be customer rate funded. The Plan recommends the 2.5% rate increases scheduled for 2019, 2020, and 2021 be deferred to 2020, 2021 and 2022. The Board approved deferring the rate increases at its October meeting, which will be returned as a resolution at its December meeting for final approval.

Discussion followed regarding the senior lien debt, capital spending, and staff's analysis of the size and timing of rate increases.

Upon motion duly made by Member Schmidt and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved the funding plan for Fiscal Years 2019 through 2023 and recommended to the Board to defer the 2.5% rate increases to 2020, 2021, 2022.

6. PRESENTATION OF RECENT SUMMER WATER USE TRENDS

Dr. Stoddard presented on this agenda item. He stated the following: the number of total active water services continues to grow by about 180-190 new connections per month (single-family services about 160/month, multi-family services have increased about 12, active commercial about 5, and irrigation customers, about 5); summer 2015 was wet (had precipitation at key points) and summer 2018 was fairly dry; total water use has decreased about 7% since 2014, but average per service water use decreased 13%; TMWA's revenues have not recovered from the drought, which was a shock to water demand; and summertime use by single-family is 4-5x compared to winter water use.

9. UPDATE ON POSSIBLE CLOSURE OF THE §501-C-9 POST-RETIREMENT MEDICAL AND LIFE INSURANCE PLAN AND TRUST TO FUTURE EMPLOYEES

Ms. Sullivan presented this agenda item, informing the Committee the Board approved this at its October meeting and staff will bringing it back as a resolution at the December Board meeting for the sole purpose of closing the trust to future employees.

Discussion revolved around the cost per employee, employee eligibility, the availability of other benefits, and fiscal effect.

Upon motion duly made by Member Kowitz and seconded by Member Schulewitch, and carried nine to three with Members McNeil, Pidlypchak and Wager dissenting, the Committee approved the closure of the §501-c-9 Post-Retirement Medical and Life Insurance plan and Trust to future employees.

10. PRESENTATION ON TMWA'S TREATMENT COSTS AND PROCESSES

Will Raymond, TMWA Operations & Water Quality Manager, presented on TMWA's treatment costs and processes for TMWA's water treatment plants, Chalk Bluff, Glendale and Longley. Mr. Raymond stated TMWA's highest expense is chemical expenditures at \$1.8M, which vary with changing seasons and water quality. Other expenses are the electricity bills for groundwater wells, water treatment plants and ice fighting, and maintenance. Mr. Raymond also noted that Chalk Bluff was awarded the Partnership for Safe Water Presidents Award, now one of only 45 treatment plants nationwide to have received this award for safe drinking water. Staff is consistently reviewing the most cost-effective way to treat and deliver water; with water quality being the primary goal.

Discussion followed regarding the increased cost of chemicals; management of and improvements to operations; maintenance and infrastructure updates.

11. UPDATE ON THE ANNEXATION OF THE STONEGATE DEVELOPMENT INTO THE TMWA RETAIL WATER SERVICE AREA

Scott Estes, TMWA Director of Engineering, informed the Committee that the Board approved the annexation of the Stonegate development, which is located in Cold Springs, approximately 3 miles north of TMWA's service area, into TMWA's retail service area at its October meeting. Developers will be responsible for 100 percent of the cost of the water system facilities estimated to cost \$40 million and TMWA will own, operate and maintain those facilities through customer rates. New water meters in Stonegate will be read, turned on and shut off remotely to reduce driving time.

12. UPDATE ON THE POSSIBLE ACQUISITION OF THE WEST RENO WATER COMPANY WATER SYSTEM, AND STATUS OF DUE DILIGENCE

John Zimmerman, TMWA Water Resources Manager, informed the Committee that staff has continued with due diligence and are preparing the closing documents. At the September meeting the Board authorized the General Manager to extend the due diligence period by 30-days if necessary. The extension was necessary and gave staff and the parties involved more time to resolve the issues identified thus far and extends TMWA's right to terminate the agreement in its sole discretion without cause.

Mr. Estes added that developers will pay for the extension and TMWA has secured one and possibly two principle forgiveness loans for \$500k each from the State of Nevada Drinking Water State Revolving Fund.

13. DISCUSSION AND RECOMMENDATION TO THE BOARD REGARDING THE PROPOSAL TO BROADEN PURPOSES FOR THE METER RETROFIT FEE PROGRAM

Mr. Zimmerman informed the Committee of TMWA's proposal to change the name from the Water Meter Retrofit Fee to Water Resource Sustainability Fee, broaden the category of projects that improve the community's water resource sustainability and drought resiliency, and reduce the fee from \$1,830 to \$1,600 per acre foot.

Member Schmidt stated his desire that the fee should be lower than \$1,600 and Member McNeil said he believed it should be higher. Discussion followed regarding the possibility of keeping the fee the same at \$1,830. John Enloe, TMWA Director of Natural Resources, explained that the fee had to have a reasonable nexus to the broader proposed purpose of the fee and the anticipated cost of the projects it would be used to support.

No action taken.

14. PRESENTATION ON TMWA SERVICE AREA AND EXISTING PRIVATE WATER SYSTEMS

Mr. Enloe provided a summary of TMWA's service area and existing private water systems, most notably the Boomtown/West Reno Water System, Vista and StoneGate development. Mr. Estes added the next extension in Verdi will be to the Riverbelle Mobile Home Park and consolidated into TMWA.

15. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Sonia Folsom, TMWA SAC Liaison, referred to the SAC Membership list, which identified the Committee members whose terms were expiring on December 31, 2018. Ms. Folsom stated of the 22 current members, 16 have terms that are expiring. Ms. Folsom was pleased to report all members, with the exception of the Commercial Customer Class Alternate and At-Large 2 Primary representatives, have accepted the invitation to continue for another two-year term.

Staff's proposed SAC membership will be presented to the TMWA Board for approval will be:

- Neil McGuire, Irrigation Customer primary representative
- Donald Kowitz, Commercial Customer primary representative
- Robert Chambers, Senior Citizen primary representative
- Karl Katt, Senior Citizen alternate representative
- Ken McNeil, At-Large 1 primary representative
- Ken Becker, At-Large 1 alternate representative
- Jordan Hastings, At-Large 2 primary representative
- Carol Litster, Residential 1 primary representative
- Dale Sanderson, Residential 1 alternate representative
- Harry Culbert, Residential 2 primary representative
- Fred Arndt, Residential 2 alternate representative
- Jerry Wager, Residential 3 primary representative
- Scot Munns, Residential 2 alternate representative

16. PRESENTATION OF APPLICATIONS TO FILL THE COMMERCIAL CUSTOMER CLASS ALTERNATE VACANCY AND OTHER POSSIBLE VACANCIES AND POSSIBLE RECOMMENDATION TO THE BOARD

Ms. Folsom presented the application submitted by Bruce Gescheider to fill the Commercial Customer Class Alternate vacancy.

Upon motion duly made by Member Schmidt and seconded by Member Hughes, and carried by unanimous consent of the members present, the Committee approved recommending to the TMWA Board of Directors Bruce Gescheider to fill the Commercial Customer Class Alternate vacancy.

17. PRESENTATION OF 2019 MEETING SCHEDULE

Ms. Folsom presented the SAC meeting schedule for 2019.

Upon motion duly made by Member Chambers and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved the Standing Advisory Committee 2019 Meeting schedule.

18. ELECTION OF CHAIR AND VICE CHAIR FOR 2019

Debbie Leonard, SAC Legal Counsel, noted both Chair Neil McGuire was up for re-election and the Vice Chair was now vacant with Vice Chair Mike Pidlypchak resigning.

Upon motion duly made by Member Schmidt and seconded by Member Schulewitch, and carried by unanimous consent of the members present, the Committee approved Neil McGuire as Chair.

Upon motion duly made by Member Hayes and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved Fred Schmidt as Vice Chair.

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

February meeting:

1. Water supply update
2. Presentation on FY2018 CAFR
3. Update on the Other Post-Retirement Employee Benefit (OPEB) program
4. Update deferral of Phases 3-5 rate increases
5. Update on the Meter Retrofit Fee, Rule 7 amendment
6. Presentation on TMWA's draft Water Facility Plan
7. Presentation of draft Developer Fees update
8. Presentation of new development at TRICenter (a future meeting)

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

Upon motion duly made by Member Hayes and seconded by Member Wager, and carried by unanimous consent of the members present, the Committee approved to cancel the December 4, 2018 meeting.

20. STAFF ITEMS

Ms. Leonard reminded the Committee about abiding by Open Meeting Law with regards to members meeting outside of committee meetings, to ensure there is no possible quorum and not to discuss anything of substance that could be considered deliberation on matters related to TMWA.

21. COMMITTEE ITEMS

There were no committee items.

22. PUBLIC COMMENT

There was no public comment.

23. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 5:02 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Secretary

Member Culbert was present for agenda items 1 thru 12 only.

Member Katt was present for agenda items 1 thru 19 only.



TO: TMWA Standing Advisory Committee
FROM: John R. Zimmerman, Manager, Water Resources
DATE: February 27, 2019
SUBJECT: **Discussion and possible recommendation regarding bills pending before the 2019 Nevada Legislature that may impact TMWA**

TMWA staff, General Counsel, and lobbyist are reviewing and monitoring bills as they are introduced at the Legislature this session. The TMWA Board met on January 16 and February 20, 2019 to review and provide direction to staff on all newly-introduced bills. Attachment 1 is a list of all bills on which the TMWA Board has adopted a position. Attachment 2 is a list of all bills on which the TMWA Board has not yet adopted a position. TMWA lobbyist Steve Walker will provide a brief overview of potentially significant bills and answer any questions regarding the legislative process or specific bills.

STATUS OF REVIEWED/EXISTING BILLS

AB1 Revises provisions governing the adoption of certain regulations by the State Environmental Commission or a local air pollution control board. (BDR 40-360)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Natural Resources, Agriculture, and Mining	Natural Resources, Agriculture, and Mining			Open Meeting, Records, Boards, Elections	12/26/18 WATCH
AB5 Revises provisions governing the amendment of the land use plan of the master plan by local government planning commissions. (BDR 22-462)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs	Assembly Committee on Government Affairs 2/11/2019 9:00 AM Mentioned not agendized		Governance, Property	12/26/18 WATCH
AB30 Revises provisions governing the appropriation of water. (BDR 48-214)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Natural Resources, Agriculture, and Mining	Natural Resources, Agriculture, and Mining			Water Rights (WR-rights, resources, conservation)	12/26/18 WATCH
AB32 Revises provisions governing workforce development. (BDR 18-329)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Taxation	Taxation	Joint Meeting of the Senate Committee on Revenue and Economic Development and Assembly Committee on Taxation 2/12/2019 4:00 PM Mentioned Not Agendized		Human Resources	12/26/18 WATCH
AB51 Revises provisions governing the management of water. (BDR 48-213)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Natural Resources, Agriculture, and Mining	Natural Resources, Agriculture, and Mining			Water Rights (WR-rights, resources, conservation)	12/26/18 WATCH

STATUS OF REVIEWED/EXISTING BILLS

AB62 Revises provisions related to water. (BDR 48-215)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Natural Resources, Agriculture, and Mining	Natural Resources, Agriculture, and Mining			Water Rights (WR-rights, resources, conservation)	12/26/18 WATCH, OPPOSE
AB68 Revises provisions governing apprenticeships. (BDR 53-181)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Commerce and Labor	Commerce and Labor	Assembly Committee on Ways and Means 2/11/2019 8:00 AM Mentioned no jurisdiction		Human Resources	12/26/18 WATCH
AB70 Revises provisions governing the Open Meeting Law. (BDR 19-421)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			Open Meeting, Records, Boards, Elections	12/26/18 WATCH
AB73 Provides for additional sources of funding for services and affordable housing for persons who are homeless or indigent. (BDR 32-461)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Taxation	Taxation	Assembly Committee on Government Affairs 2/11/2019 9:00 AM Mentioned no jurisdiction		Property	12/26/18 WATCH

STATUS OF REVIEWED/EXISTING BILLS

AB75 Revises provisions governing public employees' retirement. (BDR 23-466)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			PERS, PEBS	12/26/18 WATCH
AB86 Revises provisions relating to governmental purchasing. (BDR 27-182)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs	Assembly Committee on Government Affairs 2/6/2019 9:00 AM Mentioned not agendized		Financial, Risk Management	12/26/18 WATCH, SUPPORT

STATUS OF REVIEWED/EXISTING BILLS

SB27 Revises provisions governing the Public Employees' Deferred Compensation Program. (BDR 18-233)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs		Senate Committee on Government Affairs 2/20/2019 1:00 PM	Human Resources, PERS, PEBS	12/26/18 WATCH
SB35 Creates the Nevada Resilience Advisory Committee. (BDR 19-357)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			Emergency Mgmt, Safety, Motor Vehicles	12/26/18 WATCH
SB36 Revises provisions governing the purchase, sale or lease of real property by a board of county commissioners. (BDR 20-489)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs	Senate Committee on Government Affairs 2/6/2019 1:30 PM Heard, No Action		Property	12/26/18 WATCH
SB40 Revises provisions governing penalties for violating occupational safety laws. (BDR 53-222)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Commerce and Labor	Commerce and Labor	Senate Committee on Commerce and Labor 2/6/2019 1:30 PM Heard, No Action		Emergency Mgmt, Safety, Motor Vehicles, Human Resources	12/26/18 WATCH

STATUS OF REVIEWED/EXISTING BILLS

SB54 Revises provisions governing the annual reporting requirements of the Tahoe Regional Planning Agency. (BDR 22-205)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Natural Resources	Natural Resources			Governance	12/26/18 WATCH
SB58 Revises provisions relating to relations between local governments and certain public employees. (BDR 23-465)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			Human Resources	12/26/18 WATCH
SB69 Revises provisions relating to emergencies and cybersecurity. (BDR 19-350)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			Emergency Mgmt, Safety, Motor Vehicles, Information Tech	12/26/18 WATCH, SUPPORT
SB83 Revises provisions governing the dissemination of information and data of the Public Employees' Retirement System. (BDR 23-467)					
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Board Position
Committee on Government Affairs	Government Affairs			Human Resources	12/26/18 WATCH

**NEW BILLS NOT YET APPROVED BY THE TMWA
BOARD OF DIRECTORS**

AB18		Authorizes certain local governments to install and maintain ramps on certain public easements and rights-of-way. (BDR 21-433)			
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Committee on Government Affairs	Government Affairs			Property	2/7; WATCH
AB95		Revises provisions relating to water. (BDR 48-504)			
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Committee on Natural Resources, Agriculture, and Mining	Natural Resources, Agriculture, and Mining			Water Rights (WR-rights, resources, conservation)	2/1; WATCH
AB101		Authorizes a private plaintiff to bring an action for a declaratory judgment regarding a violation of state law or a local ordinance by certain governmental entities. (BDR 3-26)			
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Daly	Judiciary	Assembly Committee on Judiciary 2/14/2019 8:00 AM Heard		Financial, Risk Management, Open Meeting, Records,	2/7; OPPOSE
AB103		Makes certain changes relating to collective bargaining. (BDR 23-251)			
Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Wheeler	Government Affairs			Human Resources	2/1; WATCH

**NEW BILLS NOT YET APPROVED BY THE TMWA
BOARD OF DIRECTORS**

AB127	Revises provisions governing testimony before governmental bodies. (BDR 19-272)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Cohen, Fumo, Backus, Swank and Watts	Government Affairs			Governance, Open Meeting, Records,	2/13; WATCH
AB135	Revises provisions governing easements. (BDR 22-545)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Carrillo	Government Affairs			Property	2/14; WATCH
AB136	Makes various changes relating to public construction. (BDR 28-145)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Frierson, Benitez-Thompson, Carlton, McCurdy, Daly, Assefa, Backus, Bilbray-Axelrod, Carrillo, Cohen, Duran, Flores, Fumo, Gorelow, Jauregui, Martinez, Miller, Monroe-Moreno, Munk, Neal, Nguyen, Peters, Spiegel, Sprinkle, Swank, Thompson, Torres, Watts and Yeager	Government Affairs			Public Works	2/14; WATCH, OPPOSE

**NEW BILLS NOT YET APPROVED BY THE TMWA
BOARD OF DIRECTORS**

AB138 Revises provisions governing workers' compensation. (BDR 53-708)

Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Sprinkle, Carrillo, Flores, Monroe-Moreno, Frierson, Assefa, Backus, Benitez-Thompson, Bilbray-Axelrod, Cohen, Daly, Duran, Fumo, Gorelow, Martinez, Miller, Munk, Neal, Nguyen, Peters, Swank and Yeager	Printer			Human Resources	2/14; WATCH

AB163 Revises provisions governing water conservation. (BDR 48-798)

Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Assemblymen Watts, Cohen, Nguyen, Peters and Swank; Senators Brooks and Scheible	Printer			Water Rights (WR-rights, resources, conservation)	2/15; WATCH
Assemblymen Brooks, Frierson, Yeager, McCurdy II, Watkins and Fumo; Senators Cancela, Parks and Spearman	Document Clerk			Energy	

AB403* Revises various provisions relating to governmental administration. (BDR 18-573)

Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
Assemblymen Daly, Frierson, Diaz, Benitez-Thompson, Araujo, Brooks, Carrillo, McCurdy II and Monroe-Moreno	Document Clerk			Governance	2/4; WATCH

**NEW BILLS NOT YET APPROVED BY THE TMWA
BOARD OF DIRECTORS**

SB42	Repeals provisions requiring certain fleets of motor vehicles to use alternative fuels, clean vehicles or vehicles that use alternative fuels. (BDR 43-361)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Growth and Infrastructure	Growth and Infrastructure	Senate Committee on Growth and Infrastructure 2/7/2019 1:30 PM Heard, No Action		Emergency Mgmt, Safety, Motor Vehicles	2/7; WATCH, SUPPORT
SB67	Revises provisions governing local emergency management. (BDR 36-355)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Government Affairs	Government Affairs			Emergency Mgmt, Safety, Motor	2/4; WATCH
SB96	Creates a grant program to award grants of money to certain organizations applying for federal funds to finance certain projects related to public lands. (BDR 26-510)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Natural Resources	Natural Resources			Water Rights (WR- rights, resources,	1/25; WATCH
SB111	Revises provisions governing collective bargaining by local government employers. (BDR 31-651)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Government Affairs	Government Affairs			Financial, Risk Management, Human	2/1; WATCH
SB127	Increases the number of members on the board of county commissioners in certain counties. (BDR 20-855)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Parks	Government Affairs			Open Meeting,	2/1; WATCH
SB129	Makes various changes relating to ethics in government. (BDR 23-191)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Legislative Operations and Elections	Legislative Operations and Elections			Governance	2/1; WATCH

**NEW BILLS NOT YET APPROVED BY THE TMWA
BOARD OF DIRECTORS**

SB132	Limits the manner in which the Board of Regents of the University of Nevada is allowed to use certain property or the proceeds and rents from certain property. (BDR 34-80)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Goicoechea and Settlemeyer	Education			Property, Water	2/13; WATCH
SB136	Revises the provisions of the Tahoe Regional Planning Compact. (BDR 22-736)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Government Affairs	Natural Resources			Governance	2/8; WATCH
SB140	Revises provisions relating to the appropriation of water in certain basins. (BDR 48-541)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Committee on Natural Resources	Natural Resources			Water Rights (WR- rights, resources,	2/11; WATCH
SB150	Revises provisions relating to land use planning. (BDR 22-775)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Senators Goicoechea, Settlemeyer, Hardy and Hansen; Assemblyman Ellison	Government Affairs			Water Rights (WR- rights, resources, conservation)	2/13; WATCH
SB153	Revises provisions relating to collective bargaining. (BDR 23-405)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Atkinson	Government Affairs			Human Resources	2/14; WATCH
SB163	Revises provisions relating to technology used by certain business entities. (BDR 7-877)					
	Sponsor	Status / Location	Last Meeting and Action	Next Meeting	Tags	Staff Recommendation
	Kieckhefer	Printer			Information Tech	2/14; WATCH



Water Supply Outlook for Northern Nevada

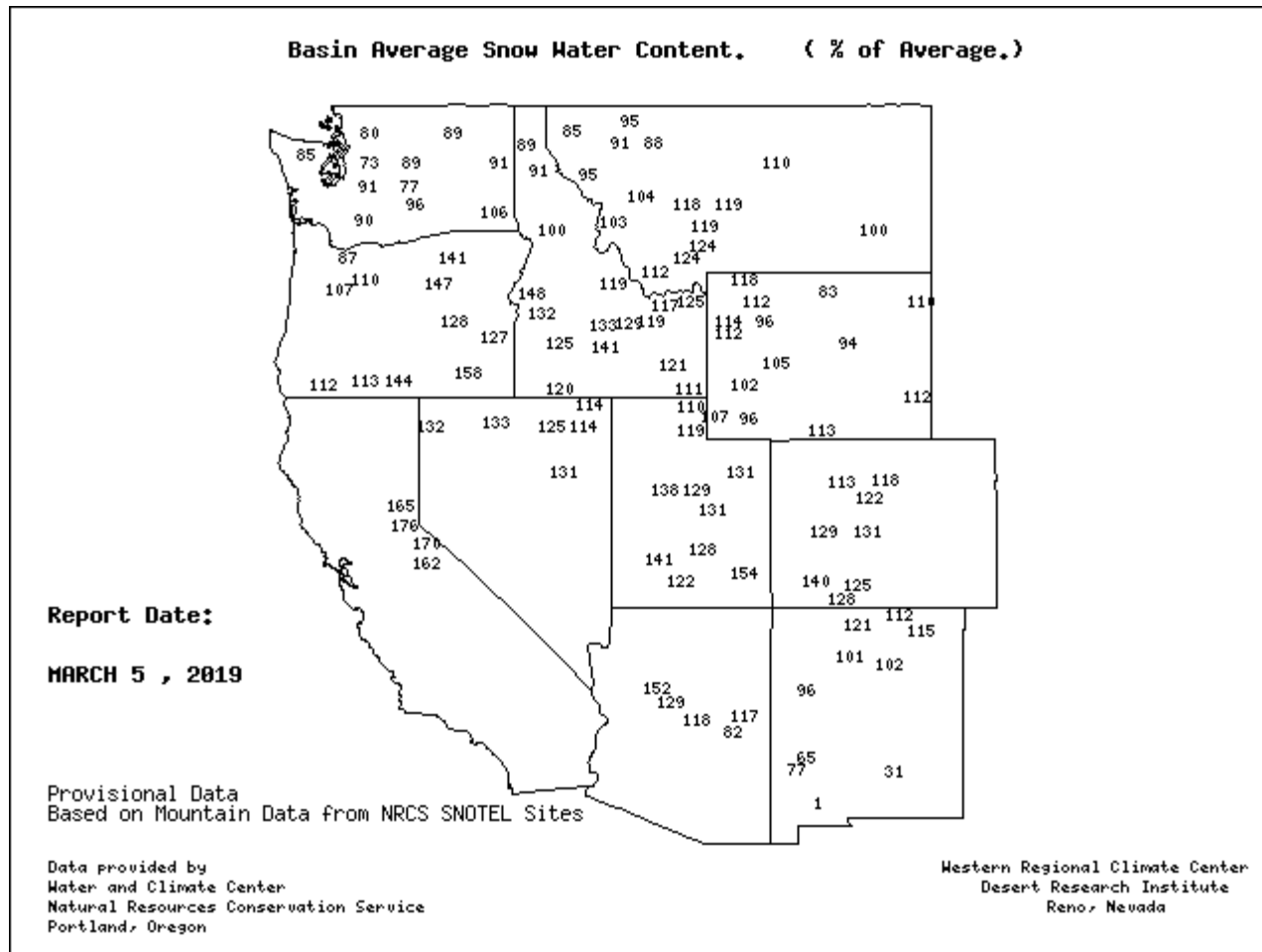
TMWA Standing Advisory Committee Meeting

Bill Hauck, Senior Hydrologist

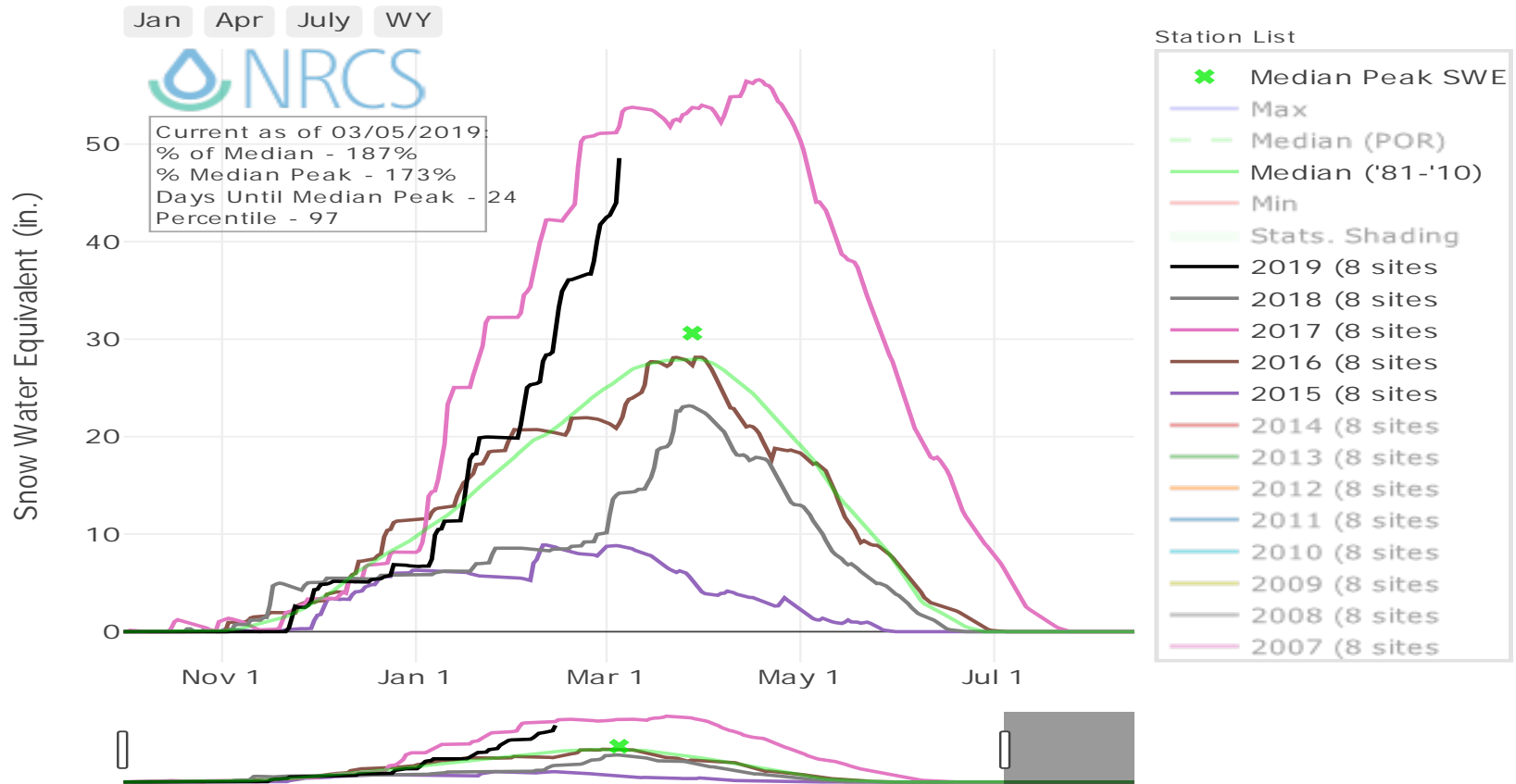
March 05, 2019



NRCS River Basin Snow Water Content



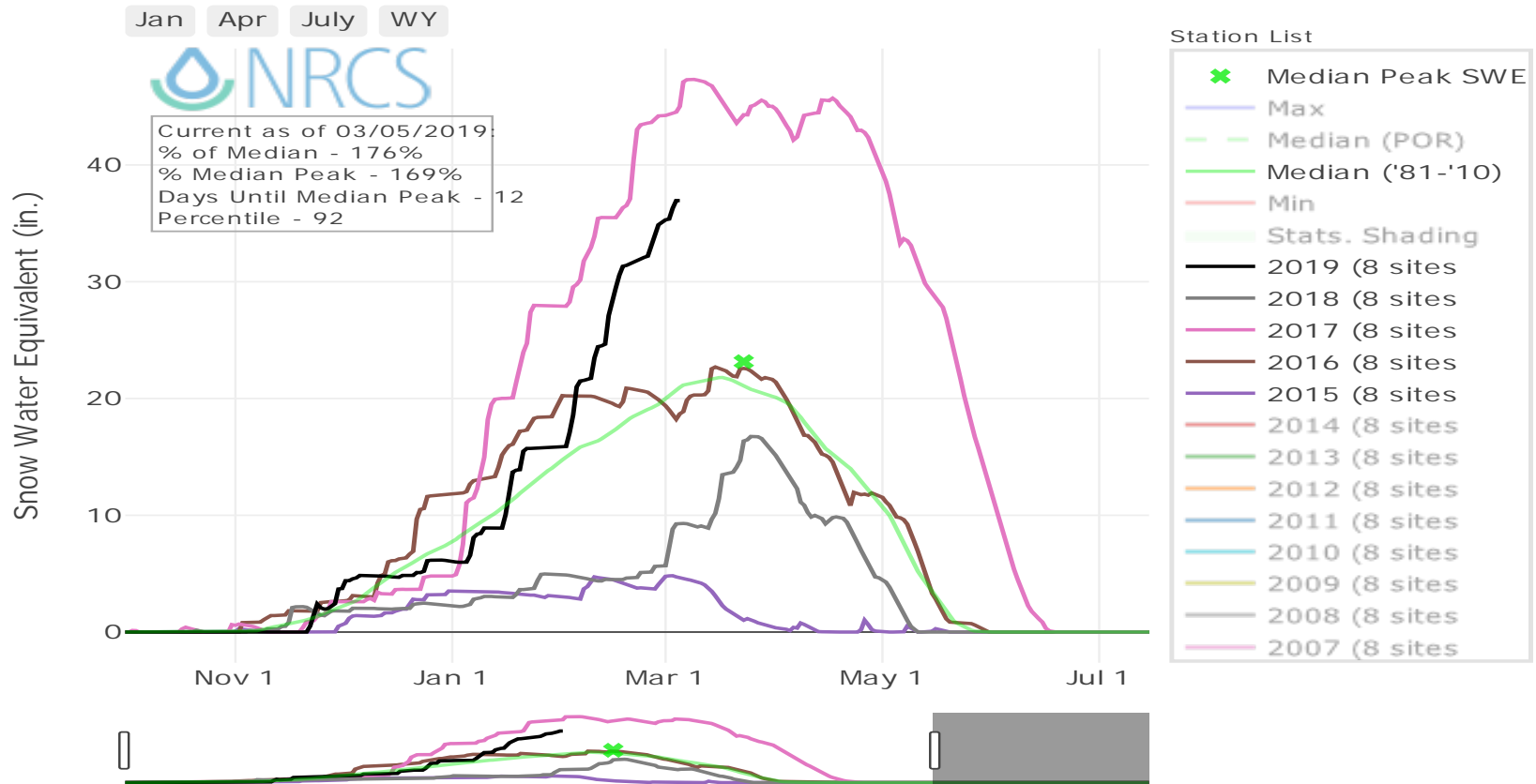
Truckee River Basin Snow Water Equivalent



Statistical shading breaks at 10th, 30th, 50th, 70th, and 90th Percentiles.

For more information visit: [30 year normals calculation description.](#)

Lake Tahoe Basin Snow Water Equivalent

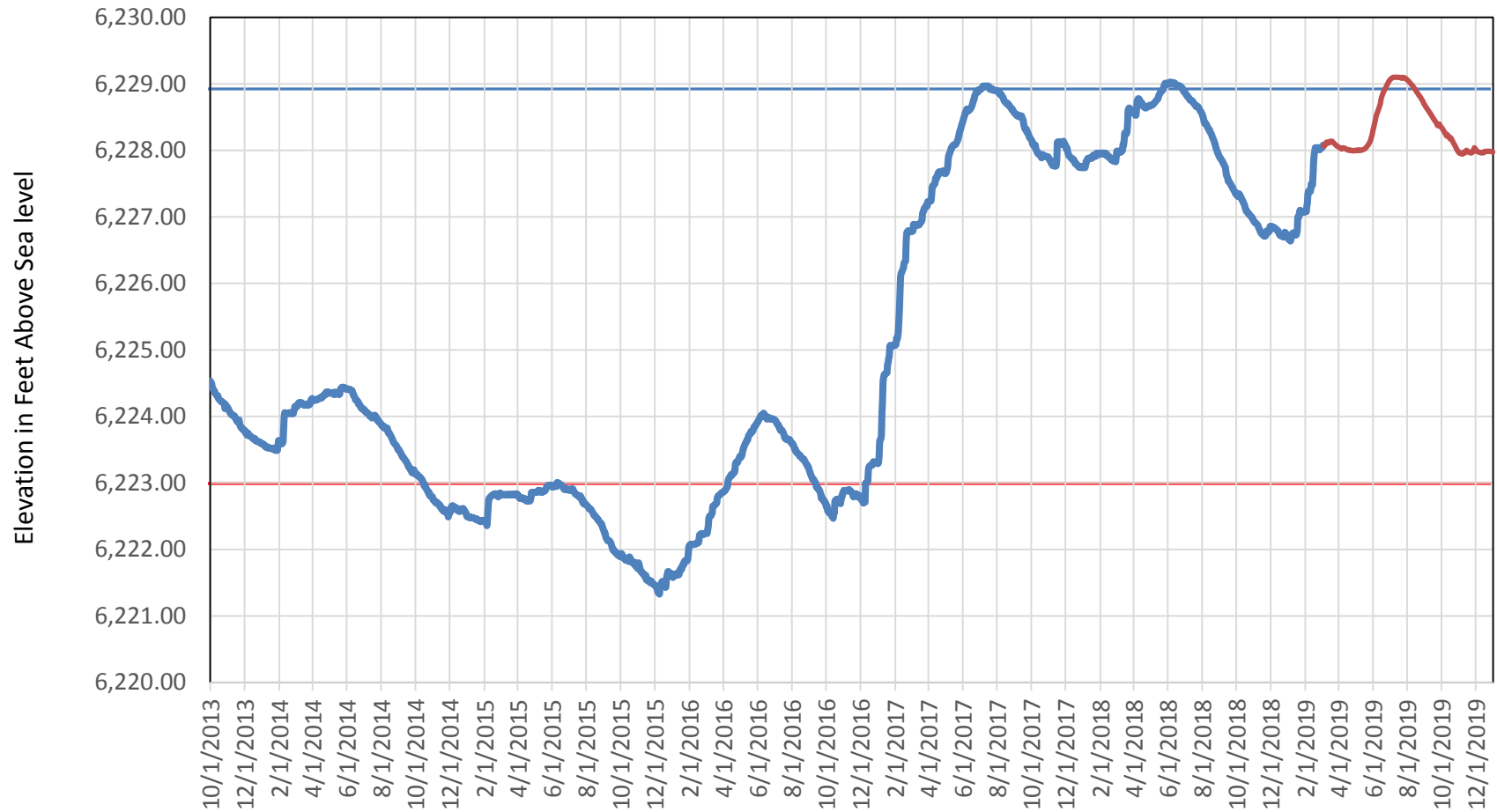


Statistical shading breaks at 10th, 30th, 50th, 70th, and 90th Percentiles.

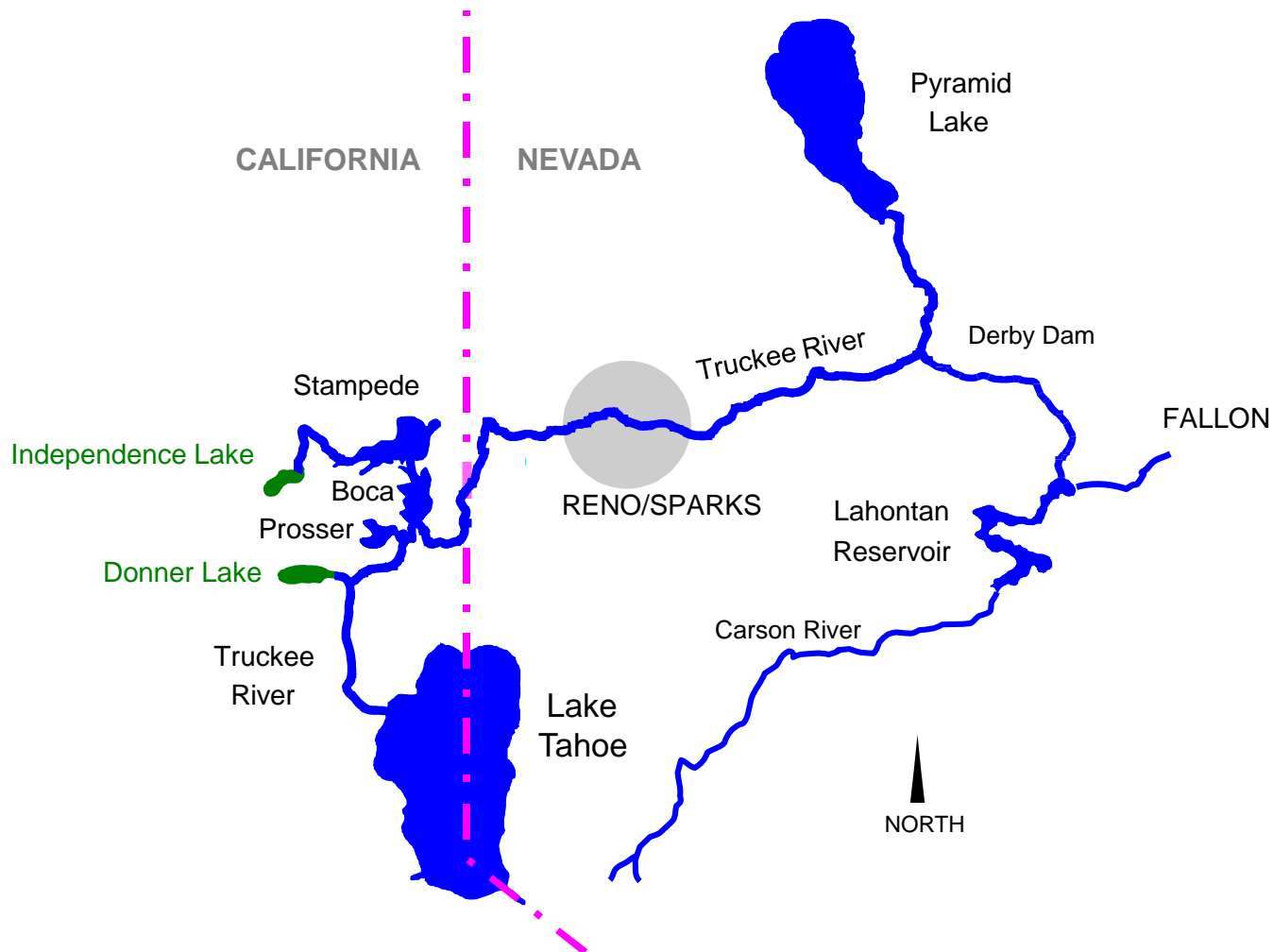
For more information visit: [30 year normals calculation description.](#)



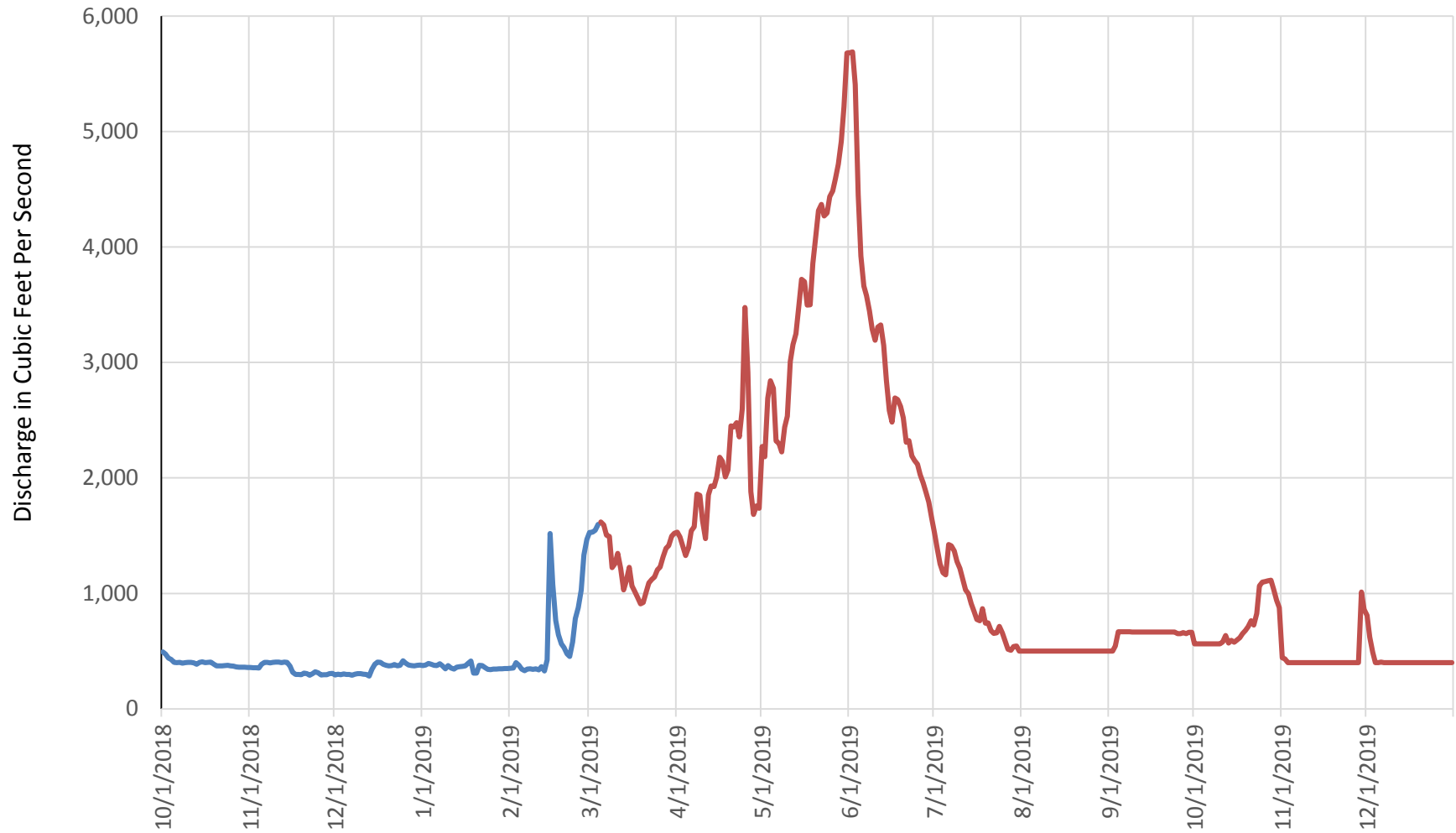
Lake Tahoe Elevation (actual and projected through 2019)



The Truckee River System



Truckee River at Farad (actual and projected through 2019)



Lake Tahoe, Truckee River and TMWA's Storage Under TROA

(March 05, 2019):

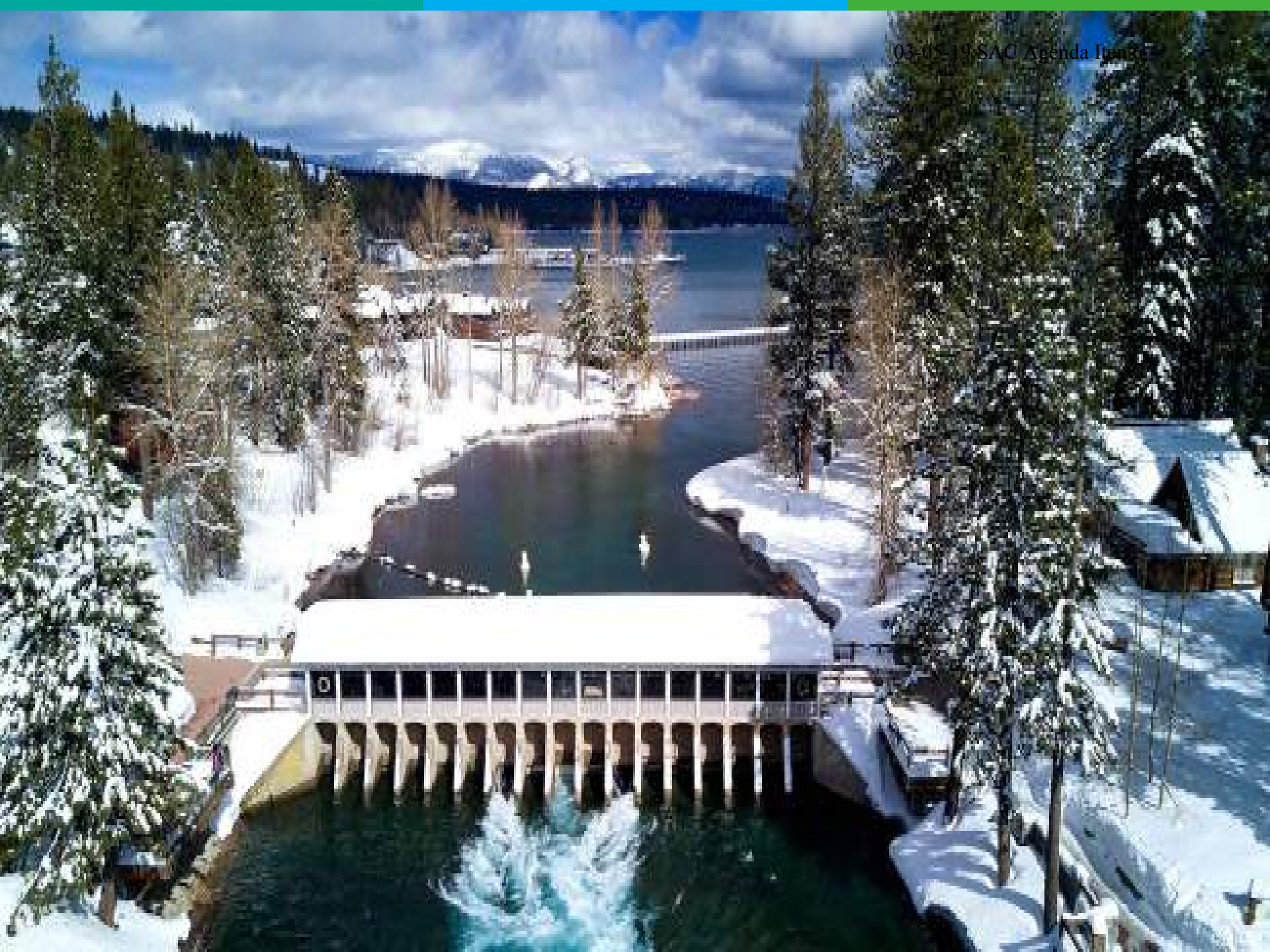
	Current (KAF)	Last Year (KAF)	Capacity (KAF)	Current % Capacity
Lake Tahoe	617,900	608,100	744,600	83.0%
Boca Reservoir	15,911	28,354	40,870	38.9%
Stampede Reservoir	193,506	205,118	226,000	85.6%
Prosser Reservoir	9,767	9,290	29,800	32.8%
Donner Lake	3,694	3,710	9,500	38.9%
Independence Lake	15,053	14,837	17,500	86.0%
	855,831	869,409	1,068,270	
System Percent of Capacity	80.1%	81.4%		
TMWA (TROA)	32,394			

TMWA's Reservoir Storage under TROA (3/05/2019)

RESERVOIR	FirmMICred	NonFirmMICred	WAPOSW	WAEDS	TOTAL STORAGE (acre-feet)
Lake Tahoe	0	4,372	0	0	4,372
Donner	0	0	2,720	0	2,720
Martis	0	0	0	0	0
Prosser	0	0	0	0	0
Boca	0	0	749	0	749
Stampede	2,000	0	0	7,500	9,500
Independence	0	0	15,053	0	15,053

Sum (acre-feet)

32,394







Thank you!
Questions?

Bill Hauck, Senior Hydrologist
Email: bhauck@tmwa.com
O: (775) 834-8111 M: (775) 250-1333



To: TMWA Board of Directors
Thru: Mark Foree, General Manager
From: Matt Bowman, Financial Controller
Date: December 3, 2018
Subject: **Discussion and action on adoption of Resolution No. 271: A resolution to approve the Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2018**

Recommendation

TMWA staff will present the Comprehensive Financial Report (CAFR) to the Board for the fiscal year ended June 30, 2018 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, 2018, 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, 2018, 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, 2018 and June 30, 2017, related Statements of Revenues, Expenses and Changes in Net Position (Income Statement) and the Statement of Cash Flows.

Audit Results

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, 2018. The auditors had no findings in the financial statement audit.

Financial Performance

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 FY 2017.

TMWA experienced a solid financial year with change in net position ending up positive at \$37.7 million. Net cash flow reflected an increase of \$19.3 million. Cash balance at the end of the year was \$193.4 million. Preliminary results were presented to the Board and SAC in August and September, respectively, reflecting a change in net position of \$38.8 million. Following final reconciliations and various estimate adjustments, the change in net position was reduced to \$37.7 million or a decrease of \$1.1 million. Said adjustments are listed below –

- Decrease in revenue of \$111k due to year end unbilled revenue accrual
- Increase in operating expenses of \$4.7m due to:
 - \$3.1m pension adjustment for the implementation of GASB 68 by PERS
 - \$1.6m due to additional invoice accruals and reclassifications of project costs from capital to expense
- Decrease in depreciation expense of \$320k following final depreciation run
- Decrease in interest expense of \$161k related to Sr. Lien debt interest accruals
- Increase in developer contributions of \$3.7m following year-end final analysis (initial number was estimate based on historical actuals)

TMWA ended the year with a debt service coverage ratio of 2.97x compared to 2.80x for FY 2017.

Fiscal Year 2018 Actual to Budget comparison

Total operating revenues were very close to budget, ending up \$1.4 million or 1.4% higher than budget. A hot and dry summer and early fall of 2017 which caused more water usage and higher revenues, was offset by record precipitation in March 2018 which lowered revenues back to planned levels. As a consolidated water utility, even with population growth in the service area of 6.5%, water usage has decreased by 6.1% since fiscal year 2014, mainly due to conservation efforts implemented during drought periods.

Total operating expenses were also very close to budget, ending up \$0.4 million less than the budget of \$90.7 million, less than a 1% difference. Services and supplies expenses were \$2.5 million under budget due to lower maintenance, chemical and electric costs than anticipated. Salaries and wages costs were \$0.3 million less than budget due to position vacancies and turnover. Employee benefit spending was \$3.6 million higher than budget due to a GASB 82 (Pensions) adjustment of \$4.6 million offset by a lower than expected GASB 75 (OPEB) adjustment.

Total net nonoperating revenues and expenses were \$1.4 million favorable to budget. This variance was primarily due to lower interest expense.

Capital contributions of \$37.4 million were \$22.2 million above budget. Cash contributions from developers were \$5.4 million greater than budget and were attributable to increasing levels of

residential construction activity as the local economy improves. Non-cash Developer infrastructure contributions totaled \$15.0 million. These are not included in the budget.

Total capital spending was approximately \$29.1 million for fiscal year 2018, which was approximately \$13.9 million less than the \$43.0 million planned in the augmented capital budget. The primary reason for the underspend was the delay in construction of the Mt. Rose Water Treatment Plant due to delays in permitting and satisfying regulatory requirements.

Total cash and investments as of June 30, 2018 was \$193.4 million or \$32.0 million more than budget. Net cash provided by operating activities was \$4.0 million higher than budget due to slightly higher water revenues, higher hydroelectric revenue and lower operating expenses. Net cash used by capital and related financing activities were more favorable than budget by \$25.2 million. This is primarily due to \$13.9 million less in capital spending as discussed above. Additionally, interest paid was \$3.0 million less than budget due to the early payoff of interest related to the FY 2017 bond refinancing. The remaining change consisted mostly of higher developer cash contributions. The remaining \$2.8 million difference is due to higher cash at the start of FY 2018 than was anticipated when the budget was finalized during FY 2017.

Fiscal Year 2018 Actual to Prior Year Comparison

Total operating revenues increased \$4.5 million from fiscal year 2017. Water Sales were \$95.2 million, \$2.5 million or 2.7% greater than in fiscal year 2017. Water Sales were higher mainly due to a 3% rate increase implemented in the first billing cycle of May, 2018. Hydroelectric Sales were \$2.0 million or 110.0% greater than fiscal year 2017, due to consistently high river flows and very little downtime for repairs at the hydroelectric plants.

Operating expenses were \$90.3 million, \$8.0 million or 9.7% higher than fiscal year 2017. Spending on Salaries and Wages was \$1.5 million or 8.6% higher, due to a wage increase of approximately 3%, promotions and the addition of 12 employees. Six of the new employees were hired into apprenticeships to prepare for retirements occurring in the next two to three years. Employee Benefits were \$4.0 million or 44.6% higher mainly due to a \$4.6 million adjustment to pension expense related to GASB 82, offset by lower pension expense allocation from NVPERS by \$0.6 million, and \$0.2 million lower other post-retirement medical expense. Spending on Services and Supplies was \$1.9 million or 7.7% more than prior year, mainly due to \$1.3 million in maintenance expenses for dredging the channel at the Donner Lake dam.

Net Nonoperating Expenses were favorable \$5.4 million as compared to prior year. Lower interest expense in 2018 by \$5.2 million was due to the 2017 bond refunding. Other Nonoperating Expenses were \$0.2 million unfavorable mainly due to decrease in fair value of investments.

Total capital contributions were \$37.4 million, \$6.0 million less than prior year due primarily to an \$11.8 million insurance settlement related to Farad hydroelectric plant in FY 2017, offset by higher developer non-cash contributions of \$4.2 million and higher water meter retrofit proceeds of \$2.1 million due to the selling of more surface water rights in FY 2018.

Total cash and investments were \$19.4 million higher at June 30, 2018 compared to June 30, 2017. Net cash from operating activities was \$50.4 million while cash used for capital and related financing activities was \$32.2 million and interest received on investments was \$1.2

million. Restricted cash balances increased from \$41.8 million to \$45.7 million due primarily to cash received under the water meter retrofit program of \$2.4 million. Unrestricted cash increased from \$132.2 million to \$147.7 million. Included in the unrestricted cash balance is \$21.5 million in insurance settlements collected in FY 2016 and FY 2017 related to the Farad hydroelectric facilities and \$9.1 million designated as rate stabilization funds.

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 271

**A RESOLUTION APPROVING THE FINANCIAL STATEMENTS OF THE TRUCKEE
MEADOWS WATER AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the audited financial statements for the period ended June 30, 2018, 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, 2018, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved this 13th day of December, 2018

Vaughn Hartung, Chairman

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

On this 13th of December, 2018, Vaughn Hartung, 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 30, 2018

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

We have audited the financial statements of Truckee Meadows Water Authority (TMWA) as of and for the years ended June 30, 2018 and 2017, and have issued our report thereon dated November 30, 2018. 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

As communicated in our letter dated March 8, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, Note 11 to the financial statements and the required supplementary information have been updated to disclose additional information for other postemployment benefits affecting TMWA. There have been no other initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. 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 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 postemployment 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 OPEB is based on third party actuarial valuation. 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

The financial statement disclosures are neutral, consistent, and clear.

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 TMWA's 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 30, 2018.

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.

Modification of the Auditor's Report

We have made the following modification to our auditor's report. An emphasis of matter paragraph was included to address a change in accounting principle.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada



NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2018 and 2017

PREPARED BY: Michele Sullivan, CPA
Chief Financial Officer

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November 30, 2018

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, 2018. 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, 2018 and 2017. 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.

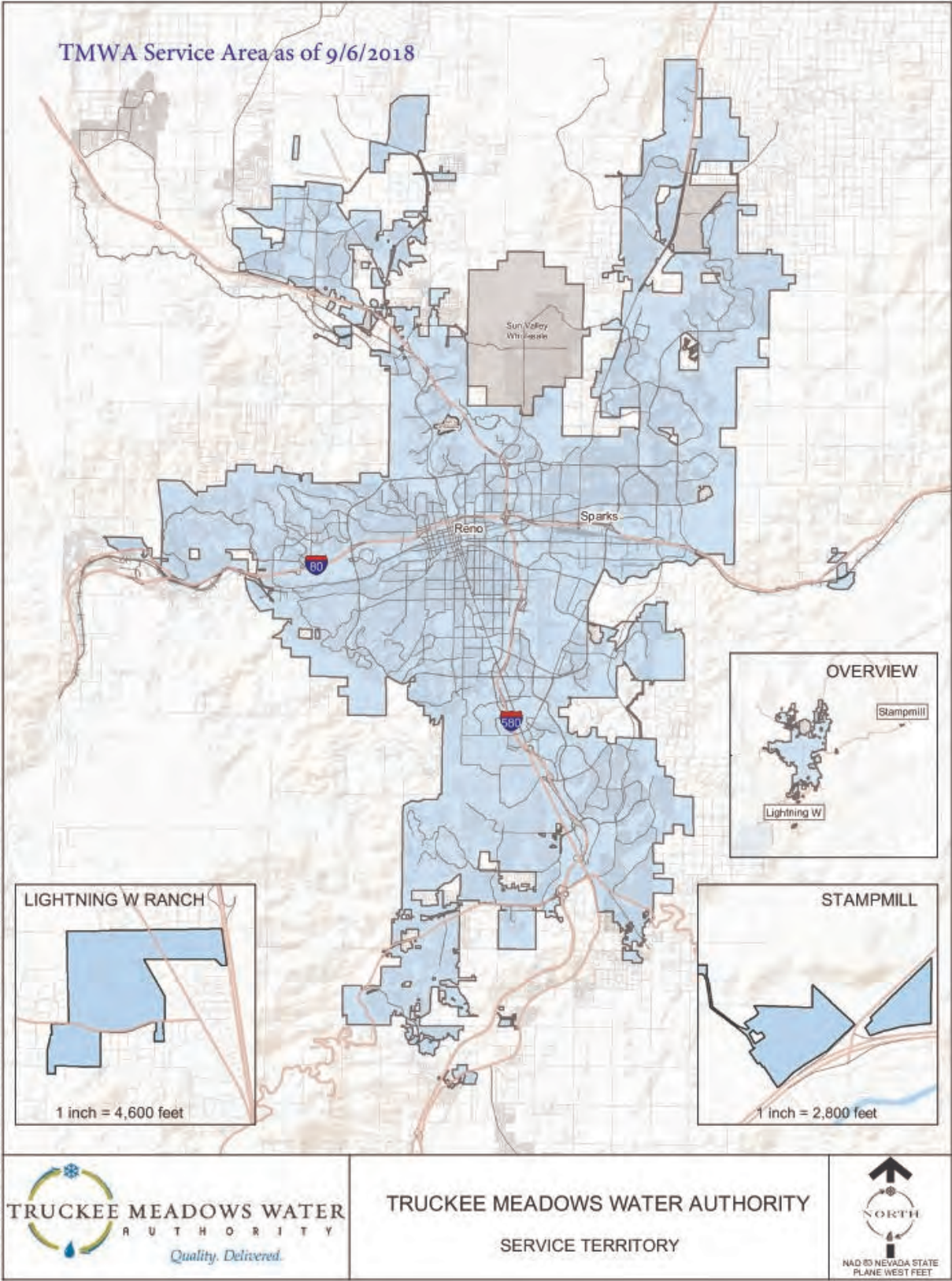
REPORTING ENTITY

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, now known as NV Energy, 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 continuing 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.

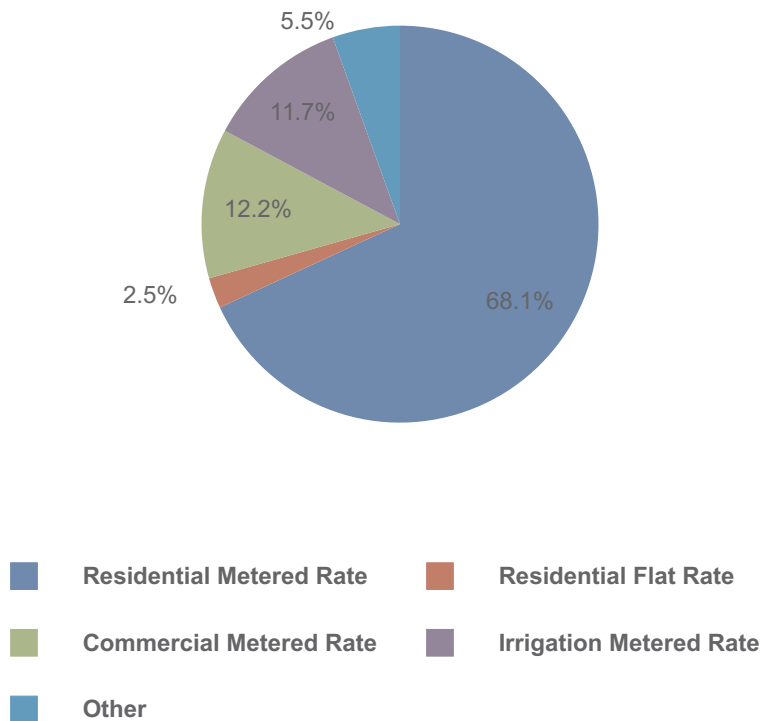
TMWA has over 125,000 service connections and one wholesale customer. TMWA operates within the Truckee Meadows service area. TMWA has only one wholesale customer, the Sun Valley General Improvement District (SVGID) located north of the Reno-Sparks main metropolitan area. SVGID is wholly dependent upon 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 TMWA service territory.



The following graph depicts the proportion of operating revenues by class for fiscal year 2018:

TMWA Operating Revenues \$101.8 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. Since the acquisition of the water system, TMWA has metered nearly 100% of water services. Currently, there are less than 275 water services that do not have a meter installed and are billed on a flat rate and these represent problematic services with multiple customers on a single service line.

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 2.97x and with certain developer fees and charges was approximately 4.37x as of June 30, 2018.

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 28 percent. Taxable sales in Washoe County continues to grow with an increase of 6.8% in fiscal year 2018 compared with 5.8% and 10.7% in fiscal years 2017 and 2016 respectively. Unemployment rates have decreased significantly since the recession, from highs in 2011 of over 13% to an unemployment rate of 3.5% in June of 2018, which was slightly lower than the national average of 4.0%. Total nonfarm employment has increased 3.9% in fiscal year 2018 and 5.7% in fiscal year 2017. The total civilian labor force has also increased 3.4% in fiscal year 2018 and 4.2% in fiscal year 2017. There has been improvement in the local economy in fiscal years 2017 and 2018 with the return of meaningful residential and commercial construction activity.

TMWA's service area also continues to expand. The Board of Directors voted in October 2018 to approve annexation of a planned development north of the current service area for retail water service. If the development is completed as planned it will add over 5000 service connections. The developer will pay for all water line extensions and infrastructure needed to complete the project. As of the filing date of this CAFR, TMWA is nearing completion of a possible acquisition of West Reno Water Company's water system. This would expand TMWA's service area to the west and development is planned for over 3500 service connections. Developer contributions and federal grants will pay for this expansion.

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. The WRP 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. 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. Any given year, as much as 80% or more of the water supply to TMWA's service area is supplied from surface water from the Truckee River. As such, TMWA played a critical role in negotiating and implementing the Truckee River Operating Agreement (TROA). 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.

TMWA owns and operates 27,000 acre-feet of reservoir storage comprised of 9,500 and 17,500 acre-feet in Donner Lake and Independence Lake, respectively (both owned and controlled by TMWA). In addition to the owned storage, as a result of TROA, TMWA can access additional storage capacity in certain federal lakes and reservoirs, including Lake Tahoe. Currently, TMWA has between 30,000 and 40,000 acre feet stored in these reservoirs.

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 winter of 2016/2017 ended drought conditions for the TMWA service area. TMWA does not expect 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 is well positioned with regards to drought resiliency.

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 Presidents Award from the Partnership for Safe Water in 2015. This prestigious recognition places the Chalk Bluff plant as one of 42 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 180 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

Efficient use of water within the Truckee Meadows extends this vital resource through periods of drought in this high desert climate. Therefore, water conservation has been, and will continually be, a high-priority at TMWA. Not only does conservation promote water-efficient behavior, such efforts also reduce peak-day demand and help defer future investments in costly improvements to infrastructure. The purpose of water conservation at TMWA is to promote smart use of water through several programs. During a Drought Situation, TMWA enhances its conservation efforts to ensure drought storage is sufficient over the drought period.

Water-Efficiency Codes

TMWA's Rule 2 provides water-efficiency codes to which customers must adhere. First, customers must not use water excessively (i.e., no waste). TMWA also requires that its customers adhere to a three-day-a-week irrigation schedule. This watering restriction helps prevent overwatering, as well as, reduces peak-day demand. TMWA also requires no irrigation on Mondays to allow its system to recharge. Additionally, TMWA requires no irrigation between noon and 6 p.m. from Memorial Day to Labor Day. These water-efficiency codes have been successful in managing customer demands over time.

The Water Meter Retrofit Program

Under TMWA's Water Meter Retrofit Program, unmetered services are retrofitted with a meter. Customers without meters pay a flat, monthly water rate, thus have no simple way to know their water usage and have less monetary incentive to conserve. Through a charge of \$1,830 for every acre-foot of new surface water demand, developers and others have provided funding for this program. As of June 30, 2018, TMWA estimates that less than 275 water services do not have a meter installed.

Water Pricing Structure

TMWA has an inverted, tiered-rate billing structure in which customers are charged increasing rates based on the amount of water they use. This billing structure provides a “price signal” to customers who cross into a higher tier, thereby encouraging efficient use of water.

Water Usage Review Program

The Water Usage Review Program assists TMWA customers with issues with their water meter or their water delivery system. When a water usage review is requested, TMWA staff will go onsite to check meter accuracy as well as detect for leaks in the customer’s system. If a leak is detected, staff will work with the customer to attempt to identify the leak source. Staff will also review the usage history of the service to determine water usage behavior. Once completed, staff will notify the customer regarding any leaks that were detected, make recommendations on how to reduce water consumption, and teach customers how to check for leaks in the future.

Water Watcher Program

During the irrigation months (April to October), TMWA ramps up its conservation efforts by hiring additional seasonal conservation consultants. These consultants are trained to monitor the TMWA service territory and ensure its water-efficiency codes are being adhered to. They also respond to water waste reports by the public. They provide customers with information about TMWA’s water-efficiency codes and identify any leaks or sources of water waste in outdoor irrigation. This program not only promotes efficient use of water, but also facilitates lower monthly bills.

Landscape Retrofit Program

The Landscape Retrofit Program promotes water-efficiency measures on municipal landscapes. The program includes financial support of landscape augmentation projects by institutional irrigators. Projects supported under this program promote replacement of turf grass with drought-tolerant vegetation, tree conservation, and smart landscaping educational programs.

Water Conservation Education Program

TMWA has a strong educational program designed to teach customers about the benefits of conservation and techniques that can help them use water responsibly. Educational initiatives include a free workshop series, direct communication (bill inserts, emails, in-person, etc.), public presentations and events, as well as, a multi-media campaign. TMWA also partners with other local organizations to provide grade school students in the Truckee Meadows with information regarding our water sources, water quality and watershed protection.

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's 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 \$101.8 million were \$1.4 million or 1.4% above the revised budget for fiscal year ended June 30, 2018. Charges for water sales were \$95.2 million or 0.9% over budget. TMWA water sales were higher due to record heat in July, August and September of 2017, during 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 of 6.5%, water usage has decreased by 6.1% since fiscal year 2014, mainly due to conservation efforts implemented during drought periods.

Total operating expenses of \$90.3 million were approximately \$0.4 million under the budget of \$90.7 million. Operating expenses before depreciation were \$0.9 million over budget. Service and supplies expenses were \$2.5 million under budget, with \$1.9 million due to lower maintenance

expenses. All essential maintenance was performed. Savings on chemical expenses of \$0.6 million were experienced due to improved water quality in the Truckee River, and electrical expenses were \$0.3 million lower than budget as operators continue to apply power management practices to the system. Spending on operating salaries and wages was \$0.3 million less than budget due mainly to vacant positions and turnover, while employee benefit spending was \$3.6 million higher than budget. Actuarial evaluations related to GASB No. 82 resulted in a \$4.6 million adjustment to pension expense. Adjustments related to GASB 75 for accrual of liabilities related to employee post retirement medical plans were \$0.8 million lower than expected. Neither of the GASB adjustments related to employee benefits have any current year cash flow effect.

Total net nonoperating revenues and expenses were \$1.4 million favorable to budget. This variance was primarily due to lower interest expense.

Capital contributions of \$37.4 million were \$22.2 million above budget. Cash contributions from developers were \$5.4 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 \$15.0 million in noncash contributions in fiscal year 2018.

Total capital spending was approximately \$29.1 million for fiscal year 2018, which was approximately \$13.9 million less than the \$43.0 million planned in the augmented capital budget. The primary reason for the underspend was the delay in construction of the Mt. Rose Water Treatment Plant due to delays in permitting and satisfying regulatory requirements.

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, 2018, TMWA has approximately \$147.7 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2018 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 \$9.5 million as of June 30, 2018. As of June 30, 2018 TMWA still retained 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. Subsequent to year end at the September 18, 2018 Board of Director's meeting, the Board voted to adopt a resolution to increase the Rate Stabilization Fund (RSF) to a maximum of 3% of annual projected water sales for a three-year period, which results in a current maximum of \$9.2 million. The previous maximum funding amount was \$7 million. The Board also voted at that meeting to designate funds to the RSF at the current maximum amount. As of September 18, 2018 the fund is designated at \$9.2 million, with \$0.5 million in restricted funds, and \$8.7 million included as a reservation of unrestricted net position. It is the Board's intention to use the fund in lieu of a customer rate increase if an unusual shortfall in water sales revenue occurs.

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.

A handwritten signature in dark ink, appearing to read "Mark Foree". The script is cursive and fluid.

Mark Foree, P.E.
General Manager

A handwritten signature in dark ink, appearing to read "Michele Sullivan". The script is cursive and fluid.

Michele Sullivan, CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2018**

TMWA Board of Directors

Geno Martini, City of Sparks Mayor, Chairman of the Board (Outgoing, effective through June 30, 2018)

Vaughn Hartung, Washoe County Commissioner, Chairman of the Board (Effective as of July 1, 2018, formerly Vice Chairman)

Ron Smith, Sparks Council Member, Vice Chairman (Effective as of July 1, 2018)

Kristopher Dahir, Sparks Council Member (Incoming, effective as of July 1, 2018)

Bob Lucey, Washoe County Commissioner

Jenny Brekhus, City of Reno Council Member

Naomi Duerr, City of Reno Council Member

Neoma Jardon, City of Reno 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

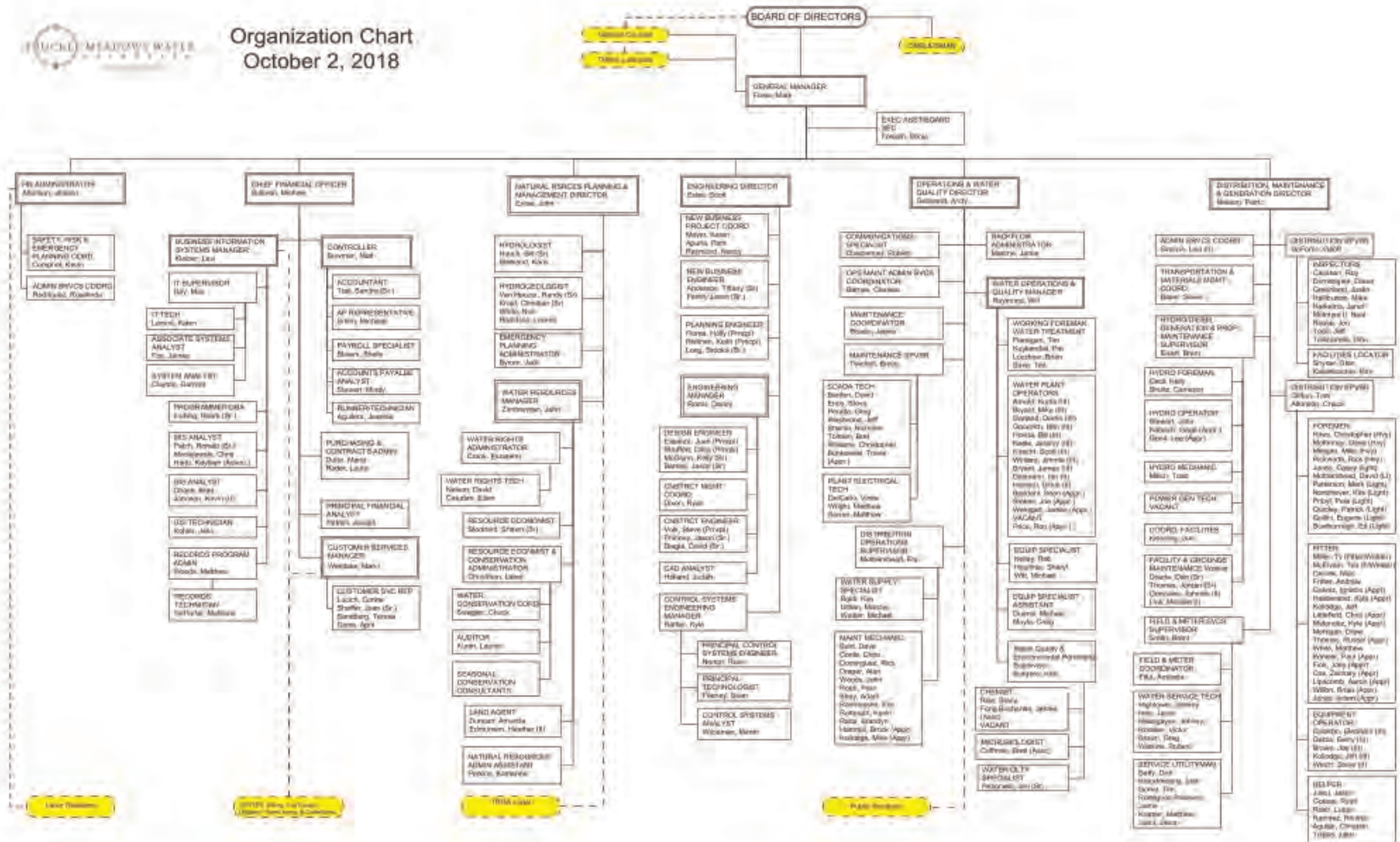
Andy Gebhardt, Director of Operations and Water Quality

Pat Nielson, Director of Distribution, Maintenance, and Generation

Michele Sullivan, CPA, Chief Financial Officer



Organization Chart October 2, 2018





Government Finance Officers Association

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Presented to

**Truckee Meadows Water Authority
Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

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 financial statements of Truckee Meadows Water Authority (TMWA), which comprise the statements of net position as of June 30, 2018 and 2017, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of TMWA, as of June 30, 2018 and 2017, 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.

Change in Accounting Principle

As discussed in Notes 1 and 14 to the financial statements, TMWA has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of July 1, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 29, the schedules of changes in net OPEB liability and related ratios on pages 68 through 69, the schedules of contributions on pages 70 through 71, the schedules of TMWA's share of net pension liability – PERS on page 72, and the schedules of TMWA contributions –PERS on page 73 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 schedules of revenues, expenses and changes in net position – budget and actual are the responsibility of management and were derived from and relates 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 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 30, 2018, 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 solely 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.

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

Reno, Nevada
November 30, 2018

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, 2018, June 30, 2017, and June 30, 2016. 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.

FINANCIAL HIGHLIGHTS

TMWA's Net Position (in millions)

	<u>June 30, 2018</u>	<u>Restated June 30, 2017</u>	<u>June 30, 2016</u>
Unrestricted Current Assets	\$ 164.1	\$ 149.2	\$ 116.0
Restricted Current Assets	13.3	8.6	21.5
Long-Term Restricted and Other Assets	32.9	33.7	66.8
Net Other Postemployment Benefits Asset	0.2	—	—
Capital Assets, net	952.7	941.7	930.8
Total Assets	<u>1,163.2</u>	<u>1,133.2</u>	<u>1,135.1</u>
Deferred Outflow of Resources	14.5	17.9	10.2
Total Assets & Deferred Outflow of Resources	<u>1,177.7</u>	<u>1,151.1</u>	<u>1,145.3</u>
Total Current Liabilities	59.0	108.6	123.1
Long Term Debt Outstanding	409.2	372.3	406.7
Net Pension Liability	37.3	35.8	26.9
Net Other Postemployment Benefits Liability	0.8	1.7	—
Total Liabilities	<u>506.3</u>	<u>518.4</u>	<u>556.7</u>
Deferred Inflow of Resources	3.4	2.5	3.6
Net Investment in Capital Assets	533.1	506.7	478.5
Restricted	30.1	28.6	40.6
Unrestricted	<u>104.9</u>	<u>95.0</u>	<u>65.9</u>
Total Net Position	<u><u>\$ 668.1</u></u>	<u><u>\$ 630.3</u></u>	<u><u>\$ 585.0</u></u>

Financial Position

Fiscal Year 2018 Summary

In the fiscal year ended June 30, 2018, total net position increased by approximately \$37.7 million, the result of recording operating income, net nonoperating income and capital contributions.

Total Unrestricted Current Assets increased by \$15.0 million from June 30, 2017. Unrestricted cash increased \$15.5 million due to continued growth in the service area which increases cash contributions from developers. Total cash and investment balances, both restricted and unrestricted increased by \$19.3 million in fiscal year 2018.

Most of TMWA's net position is in Capital Assets. Capital Assets, net of accumulated depreciation increased by \$11.0 million in fiscal year 2018 as increases in capital assets from capital expenditures and contributions were greater than depreciation expense. Depreciation expense was \$32.8 million.

Total Current Liabilities decreased by \$49.6 million mainly due to decreases in commercial paper. TMWA paid off \$9.2 million of its commercial paper, and refunded another \$44.2 million into long term fixed rate senior lien bonds. Decreases in commercial paper were offset by an increase of \$2.3 million in interest payable at year end, mainly due to the timing of the 2017 bond refunding which resulted in more interest payments on that debt prior to year end in fiscal year 2017. Other current liabilities, including vendor accounts payable, retention and contracts payable were \$1.5 million higher than prior year due to timing of vendor payments.

Long Term Debt increased \$36.9 million, mainly due to the refunding of \$44.2 million of commercial paper, which resulted in long term senior lien debt of \$38.8 million, with a premium on the sale of \$5.8 million.

During fiscal year 2018 GASB 75 related to postretirement medical benefits was adopted. Based on an actuarial analysis, TMWA booked a net asset for its Section 501-c-9 plan known as the TMWA Post-Retirement Medical Plan and Trust (PRMPT) of \$0.2 million as of June 30, 2018. This plan is slightly overfunded as of the actuarial measurement date of December 31, 2017. As of the previous actuarial measurement date of December 31, 2016 this plan had a net liability of \$0.8 million. The Section 115 Trust plan measurement date was the same, and TMWA booked a liability of \$0.8 million for this plan. As of the previous measurement date for the Section 115 Trust, there was a liability of \$0.9 million. Detailed information about TMWA's postretirement medical benefits can be found in Note 11 to TMWA's financial statements.

Fiscal Year 2017 Summary

In the fiscal year ended June 30, 2017, total net position increased by approximately \$46.6 million, the result of recording operating income, net nonoperating income and 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 \$7.7 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.

TMWA retroactively adopted GASB 75 related to other postretirement benefit plans in fiscal year 2018 which resulted in adjustments to fiscal year 2017 financial statements. The impact to 2017 was an increase in the Net Other Postemployment Benefits Liability of \$1.7 million, an increase in Deferred Outflows of \$0.6 million, and a decrease in Employee Benefits Expense of \$0.1 million. Detailed information about TMWA's postretirement benefit plans can be found in Note 11 to TMWA's financial statements.

TMWA's Changes in Net Position
(in millions)

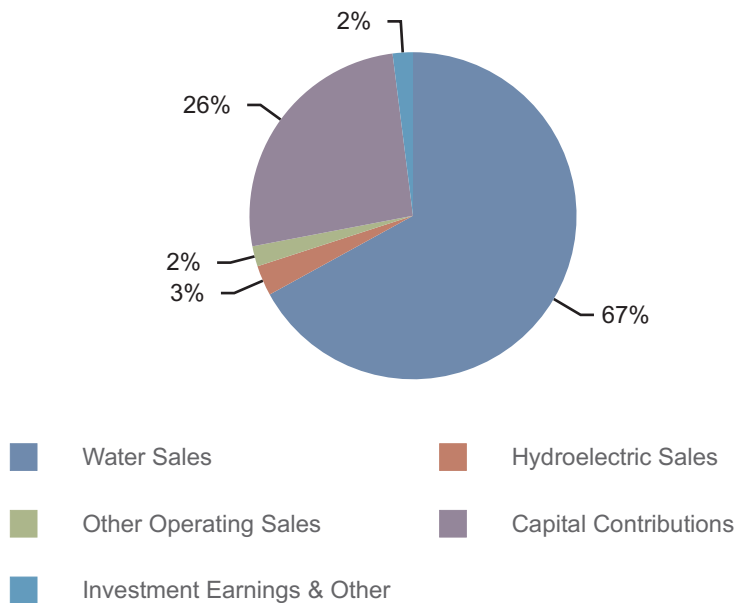
	June 30, 2018	Restated June 30, 2017	June 30, 2016
Operating Revenues	\$ 101.8	\$ 97.3	\$ 91.9
Operating Expenses	90.3	82.3	80.6
Operating Income	11.5	14.9	11.3
Nonoperating Revenues (Expenses) net	(11.2)	(11.7)	(9.5)
Income before Capital Contributions	0.3	3.2	1.8
Capital Contributions	37.4	43.4	19.3
Change in Net Position	37.7	46.6	21.1
Net Position - BOY	630.3	585.0	563.9
Restatement of Beginning Net Position (Deficit)	—	(1.3)	—
Net Position - EOY	\$ 668.1	\$ 630.3	\$ 585.0

TMWA's Revenues
(In millions)

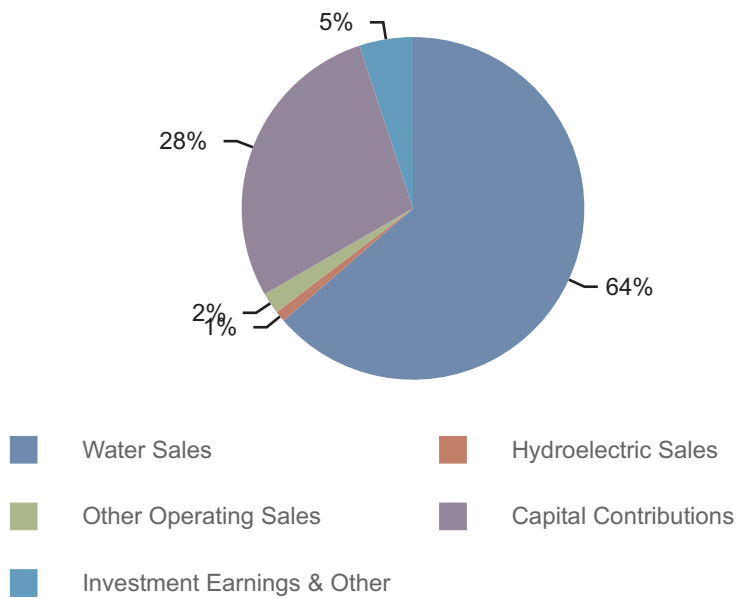
	June 30, 2018	June 30, 2017	June 30, 2016
Revenues			
Operating Revenues			
Water Sales	\$ 95.2	\$ 92.7	\$ 87.5
Hydroelectric Sales	3.8	1.8	1.2
Other Operating Sales	2.8	2.8	3.2
	101.8	97.3	91.9
Nonoperating Revenues			
Investment Earnings	2.3	7.2	6.7
Other	0.1		6.5
	2.4	7.2	13.2
Capital Contributions	37.4	43.4	19.3
Total Revenues	\$ 141.6	\$ 147.9	\$ 124.4

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2018, 2017 and 2016:

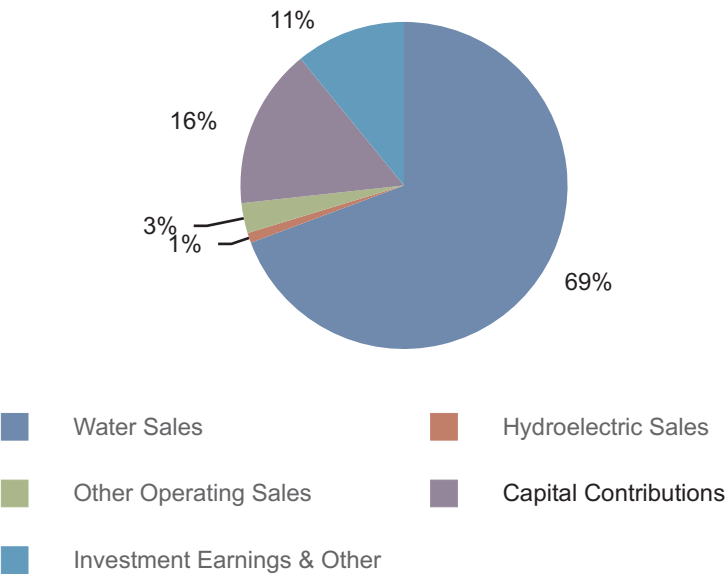
Total Revenues for the Year Ended June 30, 2018



Total Revenues for the Year Ended June 30, 2017



Total Revenues for the Year Ended June 30, 2016



Results of Operations-Revenues

Fiscal Year 2018 Summary

For fiscal year 2018, total operating revenues increased \$4.5 million from fiscal year 2017. Water Sales were \$95.2 million, \$2.5 million or 2.7% greater than in fiscal year 2017. Water Sales were higher mainly due to a 3% rate increase implemented in the first billing cycle of May, 2018. Hydroelectric Sales were \$2.0 million or 110.0% greater than fiscal year 2017, due to consistently high river flows and very little downtime for repairs at the hydroelectric plants.

Investment Earnings were \$2.3 million in fiscal year 2018, \$4.9 million lower than fiscal year 2017. 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 in fiscal year 2017 for the release of these commitments.

For fiscal year 2018, Capital Contributions decreased by \$5.9 million. This decrease was primarily due to a contribution received in fiscal year 2017 from NV Energy (NVE) 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. Offsetting was increased developer contributed infrastructure at \$15.0 million, an increase of \$4.2 million or 39.1% due to a continued upward trend in construction in the service area. Contributions to the water meter retrofit program were \$2.0 million higher than 2017 due to increased sales of surface water will-serve rights which result in the collection of this fee. Other contributions were \$0.4 million lower than prior year.

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 in the last half of the 2017 fiscal year, 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.

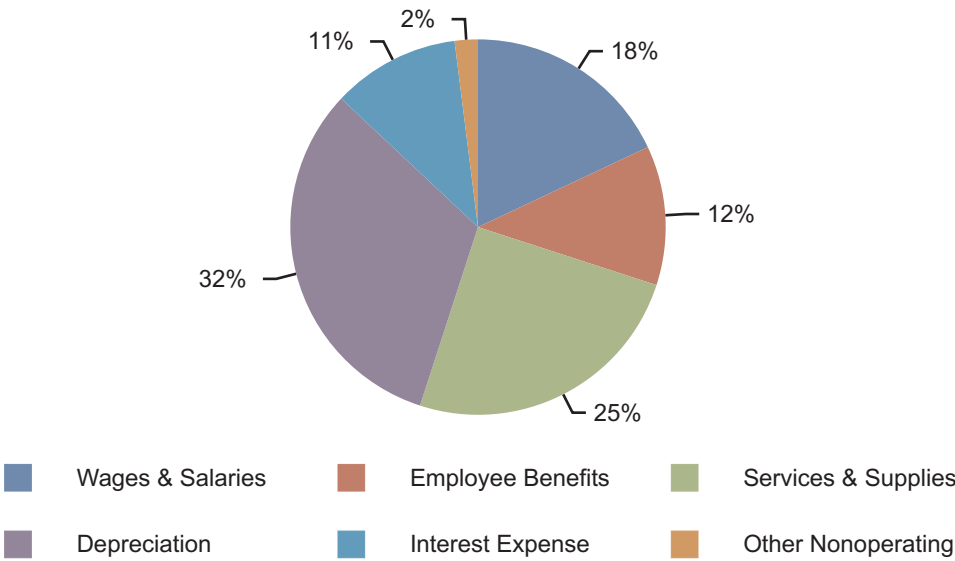
For fiscal year 2017, Capital Contributions increased by \$24.1 million. This increase was primarily due to a contribution from NV Energy from a court awarded payment by their insurers for flood damage to the Farad Hydroelectric Plant river diversion dam for \$11.8 million, that was paid to TMWA in accordance 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 improved 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.

TMWA's Expenses
(in millions)

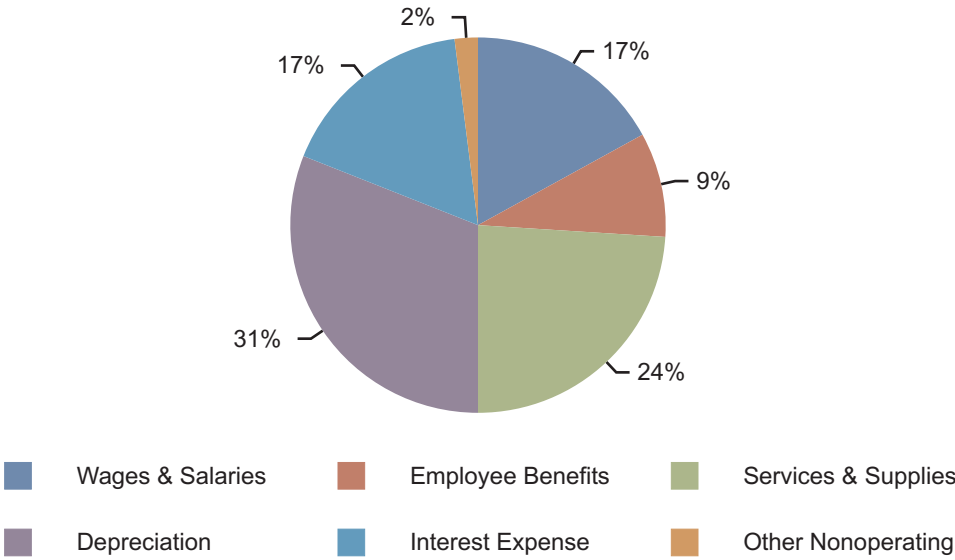
	Restated		
	June 30, 2018	June 30, 2017	June 30, 2016
Expenses			
Operating Expenses			
Wages & Salaries	\$ 18.7	\$ 17.3	\$ 16.5
Employee Benefits	12.9	8.9	6.4
Services & Supplies	25.8	24.0	25.6
Depreciation	32.8	32.2	32.1
	<u>90.2</u>	<u>82.4</u>	<u>80.6</u>
Nonoperating Expenses			
Interest Expense	11.7	17.0	21.5
Other Nonoperating Expenses	1.8	1.9	1.2
	<u>13.5</u>	<u>18.9</u>	<u>22.7</u>
Total Expenses	<u><u>\$ 103.7</u></u>	<u><u>\$ 101.3</u></u>	<u><u>\$ 103.3</u></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, 2018, 2017 and 2016:

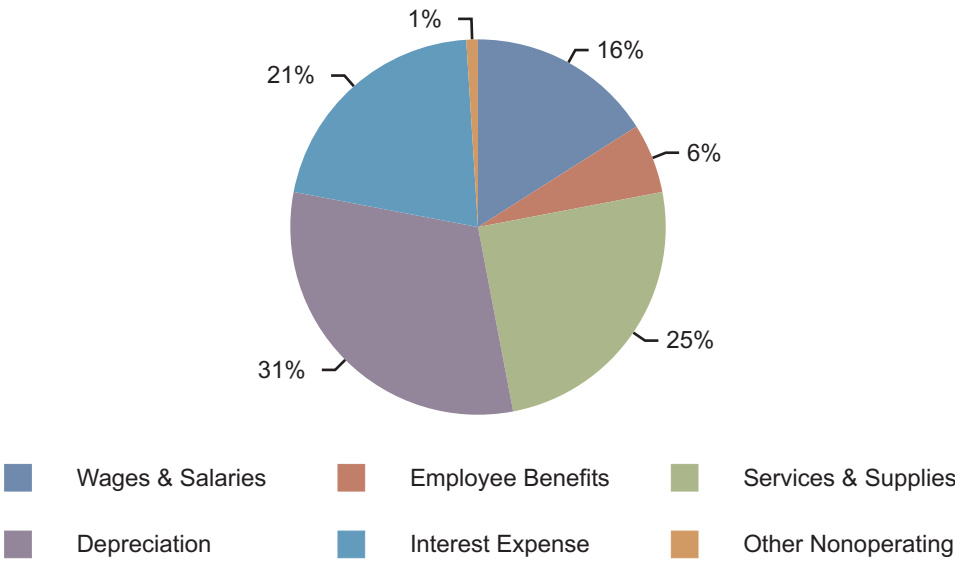
Total Expenses for the Year Ended June 30, 2018



Total Expenses for the Year Ended June 30, 2017



Total Expenses for the Year Ended June 30, 2016



Results of Operations-Expenses

Fiscal Year 2018 Summary

Operating expenses were \$90.3 million, \$8.0 million or 9.7% higher than fiscal year 2017. Spending on Wages and Salaries was \$1.5 million or 8.6% higher, due to a wage increase of approximately 3%, promotions and addition of 12 employees. Six of the new employees were hired into apprenticeships to prepare for retirements occurring in the next two to three years. Employee Benefits were \$4.0 million or 44.6% higher mainly due to a \$4.6 million adjustment to pension expense related to GASB 82, offset by lower pension expense allocation from NVPERS by \$0.6 million, and \$0.2 million lower other post retirement medical expense. Spending on Services and Supplies was \$1.9 million or 7.7% more than prior year, mainly due to \$1.3 million in maintenance expenses for dredging the channel at the Donner Lake dam.

Net Nonoperating Expenses were favorable \$5.4 million as compared to prior year. Lower interest expense in 2018 by \$5.2 million was due to the 2017 bond refunding. Other Nonoperating Expenses were \$0.2 million unfavorable mainly due to decrease in fair value of investments.

Fiscal Year 2017 Summary

Operating expenses were \$82.3 million, \$1.7 million or 2.2% higher than fiscal year 2016. Spending on Wages and Salaries was \$0.8 million or 4.6% higher, due to a modest wage increase of approximately 2%, promotions and addition of two employees. Employee Benefits were \$2.5 million or 39.6% higher mainly due to a \$2.3 million increase in NVPERS actuarial estimates related to the proportion of TMWA's pension liability. Also included in Employee Benefits is a retroactive adjustment related to GASB 75 for Other Postemployment Benefits expense of \$0.5 million. Detailed information about TMWA's postretirement benefit plans can be found in Note 11 to TMWA's financial statements. Spending on Services and Supplies was \$1.6 million or 6.3% 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.

CAPITAL ASSETS

At June 30, 2018, TMWA's total capital assets were \$1,374.3 million before accumulated depreciation of \$421.6 million, for a net book value of \$952.7 million. Included in the total capital assets reported on the Statement of Net Position was \$29.2 million in construction work in progress.

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.

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

LONG-TERM DEBT

At June 30, 2018, TMWA had \$441.9 million in total reported debt outstanding. This amount reflects \$389.9 million in total outstanding principal indebtedness, and \$52.0 million net bond premium. Of the \$389.9 million in total reported debt outstanding, \$32.7 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 \$30.0 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 \$389.9 million as of June 30, 2018 reflects a decrease of \$17.2 million or 4.2% from total outstanding principal of \$407.1 million as of June 30, 2017. 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.

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. During fiscal year 2018, TMWA maintained both of these credit ratings.

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.

	2018	Restated 2017
Assets		
Current assets		
Cash and investments	\$ 147,708,109	\$ 132,203,954
Accounts receivable, net	13,588,805	14,803,390
Due from others	309,092	333,417
Due from other governments	312,954	9,559
Interest receivable	782,611	595,161
Prepaid assets and other assets	1,436,188	1,222,604
	<u>164,137,759</u>	<u>149,168,085</u>
Restricted current assets		
Cash and investments		
Water meter retrofit program	4,717,726	2,369,793
Current bond debt service	8,538,712	6,250,183
	<u>13,256,438</u>	<u>8,619,976</u>
Total current assets	<u>177,394,197</u>	<u>157,788,061</u>
Restricted noncurrent assets		
Cash and investments		
Future bond debt service	3,286,363	3,242,632
Operations and maintenance	9,440,056	8,797,778
Renewal and replacement	19,180,630	20,672,290
Water rate stabilization	500,000	500,000
	<u>32,407,049</u>	<u>33,212,700</u>
Noncurrent assets		
Capital assets, not depreciated	159,065,468	150,655,018
Capital assets, depreciated	793,652,691	791,037,884
Prepaid bond insurance and other assets	506,069	510,360
Net other postemployment benefits	232,223	—
	<u>953,456,451</u>	<u>942,203,262</u>
Total noncurrent assets	<u>985,863,500</u>	<u>975,415,962</u>
Total assets	<u>1,163,257,697</u>	<u>1,133,204,023</u>
Deferred Outflow of Resources		
Bond refundings	2,939,628	3,154,276
Net pension liability	11,138,222	14,239,295
Other postemployment benefits	443,895	548,505
	<u>14,521,745</u>	<u>17,942,076</u>
Total deferred outflow of resources	<u>14,521,745</u>	<u>17,942,076</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 1,177,779,442</u>	<u>\$ 1,151,146,099</u>

	2018	Restated 2017
Liabilities		
Current liabilities payable from unrestricted current assets		
Accounts payable	\$ 4,373,577	\$ 3,028,060
Contracts and retention payable	4,209,220	3,305,406
Accrued liabilities	4,028,764	3,912,374
Due to other governments	2,864,640	3,738,649
Accrued interest payable	347,867	384,147
Current portion of long-term debt	31,854,526	85,205,701
Customer deposits and amounts due to developers	2,766,275	2,729,962
	<u>50,444,869</u>	<u>102,304,299</u>
Current liabilities payable from restricted current assets		
Current portion of long-term debt	885,000	850,000
Interest payable	7,653,712	5,400,183
	<u>8,538,712</u>	<u>6,250,183</u>
Total current liabilities	<u>58,983,581</u>	<u>108,554,482</u>
Noncurrent liabilities		
Net pension liability	37,323,782	35,783,246
Long-term debt, net of current portion	409,187,994	372,259,981
Net other postemployment benefits liability	826,542	1,683,574
Total noncurrent liabilities	<u>447,338,318</u>	<u>409,726,801</u>
Total liabilities	<u>506,321,899</u>	<u>518,281,283</u>
Deferred Inflow of Resources		
Net pension liability	2,449,195	2,410,007
Bond refundings	107,535	127,250
Other postemployment benefits	824,624	—
Total deferred inflows of resources	<u>3,381,354</u>	<u>2,537,257</u>
Total liabilities and deferred inflow of resources	<u>509,703,253</u>	<u>520,818,540</u>
Net Position		
Net investment in capital assets	533,058,874	506,700,472
Restricted for water meter retrofit program	4,717,726	2,369,793
Restricted for debt service	885,000	850,000
Restricted for operations and maintenance reserve	4,840,056	4,197,778
Restricted for renewal and replacement reserve	19,180,630	20,672,290
Restricted for water rate stabilization	500,000	500,000
Unrestricted	104,893,903	95,037,226
Total net position	<u>668,076,189</u>	<u>630,327,559</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 1,177,779,442</u>	<u>\$ 1,151,146,099</u>

	2018	Restated 2017
Operating Revenues		
Charges for water sales	\$ 95,181,554	\$ 92,687,260
Hydroelectric sales	3,757,043	1,788,934
Other operating sales	2,873,495	2,791,989
Total operating revenues	<u>101,812,092</u>	<u>97,268,183</u>
Operating Expenses		
Salaries and wages	18,735,892	17,257,014
Employee benefits	12,919,692	8,931,738
Services and supplies	25,835,318	23,980,864
Total operating expenses before depreciation	57,490,902	50,169,616
Depreciation	<u>32,820,720</u>	<u>32,169,578</u>
Total operating expenses	<u>90,311,622</u>	<u>82,339,194</u>
Operating Income	<u>11,500,470</u>	<u>14,928,989</u>
Nonoperating Revenues (Expenses)		
Investment earnings	2,313,513	7,209,113
Net increase (decrease) in fair value of investments	(934,120)	(342,257)
Gain (loss) on disposal of assets	133,972	(155,722)
Amortization of bond/note issuance costs	(942,927)	(1,183,526)
Interest expense	(11,720,356)	(16,968,911)
Other nonoperating expense	(12,749)	(243,000)
Total nonoperating revenues (expenses)	<u>(11,162,667)</u>	<u>(11,684,303)</u>
Income (Loss) before Capital Contributions	<u>337,803</u>	<u>3,244,686</u>
Capital Contributions		
Grants	348,248	1,226,863
Water meter retrofit program	2,379,206	341,074
Developer infrastructure contributions	15,017,446	10,797,854
Developer will-serve contributions (net of refunds)	6,652,819	7,950,666
Developer capital contributions-other	6,448,549	6,062,247
Developer facility charges (net of refunds)	6,464,559	5,116,956
Contributions from others	100,000	11,855,511
Net capital contributions	<u>37,410,827</u>	<u>43,351,171</u>
Change in Net Position	37,748,630	46,595,857
Net Position, Beginning of Year	630,327,559	584,982,314
Restatement of Beginning Net Position	<u>—</u>	<u>(1,250,612)</u>
Net Position, End of Year	<u><u>\$ 668,076,189</u></u>	<u><u>\$ 630,327,559</u></u>

	<u>2018</u>	<u>2017</u>
Operating Activities		
Cash received from customers	\$ 103,087,315	\$ 95,999,034
Cash paid to employees	(27,042,296)	(25,619,259)
Cash paid to suppliers	<u>(25,662,867)</u>	<u>(22,492,461)</u>
Net Cash from Operating Activities	<u>50,382,152</u>	<u>47,887,314</u>
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(29,059,520)	(31,121,251)
Interest paid on financing	(14,218,602)	(16,172,525)
Principal paid on financing	(2,655,702)	(14,004,694)
Proceeds from refunding bonds	44,601,977	172,268,662
Redemption of commercial paper notes	(53,400,000)	(4,400,000)
Proceeds transferred to refunding escrow	—	(207,049,766)
Proceeds from capital debt issuance	—	732,529
Proceeds from capital asset disposal	1,270,325	5,340
Contributions for water meter retrofit program	2,379,206	341,074
Contributions from developers-will-serve letters	6,652,819	7,950,666
Contributions from developers-other	6,448,549	6,062,247
Contributions from developers-facility charges	6,464,559	5,116,956
Contributions from others	—	11,855,511
Grants	240,493	1,262,453
Bond/note issuance costs	<u>(942,927)</u>	<u>(1,158,127)</u>
Net Cash used for Capital and Related Financing Activities	<u>(32,218,823)</u>	<u>(68,310,925)</u>
Investing Activities		
Payments received on loan receivables	3,703	20,793
Interest received	<u>1,167,934</u>	<u>7,403,545</u>
Net Cash from Investing Activities	<u>1,171,637</u>	<u>7,424,338</u>
Net Change in Cash and Cash Equivalents	<u>19,334,966</u>	<u>(12,999,273)</u>
Cash and Cash Equivalents, Beginning of Year	<u>174,036,630</u>	<u>187,035,903</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 193,371,596</u></u>	<u><u>\$ 174,036,630</u></u>

	2018	Restated 2017
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating Income	\$ 11,500,470	\$ 14,928,989
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation	32,820,720	32,169,578
Other nonoperating expenses	(12,749)	(243,000)
OPEB expense	386,482	432,963
OPEB contributions	(546,504)	(548,504)
Pension expense	7,243,153	5,792,926
Pension contributions	(2,562,356)	(5,037,877)
Changes in assets and liabilities		
Accounts receivable, net	1,214,585	(1,222,409)
Due from others	24,325	(19,462)
Due from other governments	(97,190)	—
Prepaid assets	(212,992)	29,246
Accounts payable	1,345,514	118,934
Accrued liabilities	116,390	(87,763)
Due to customers and developers	36,313	(27,277)
Due to other governments	(874,009)	1,600,970
Total adjustments	38,881,682	32,958,325
Net Cash from Operating Activities	<u>\$ 50,382,152</u>	<u>\$ 47,887,314</u>
Non-Cash Capital and Related Financing Activities		
Developer infrastructure contributions	\$ 15,017,446	\$ 10,797,854
Amortization of bond insurance expenses	—	474,107
Amortization of net bond premium	(4,935,241)	(2,242,859)
Amortization of refunding allowances to interest expense	194,934	181,981

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 (State) 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, 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 in May.
- Prior to June 1, at the 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, 2018 and 2017. This presentation for fiscal year 2018 and 2017 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, U.S. Treasury instruments, U.S. government agency securities, agency issued mortgage backed securities (FNMA, FHLMC, GNMA), corporate notes meeting certain rating standards, money market mutual funds meeting certain criteria, certificates of deposit, repurchase agreements, commercial paper meeting certain standards, bankers acceptances, long-term forward sale contracts and guaranteed investment contracts meeting certain rating standards, the State's Local Government Investment Pools, medium-term obligations of municipal issuers in the State that meet certain rating standards, and asset backed securities that meet certain rating standards. 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.

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. Developer contributed capital assets are recorded at acquisition value in the year of contribution to TMWA.

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

	Years		Years
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 and other post-employment benefits.

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, pensions and other post-employment benefits.

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.

New Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This Statement is effective for periods beginning after June 15, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Implementation of Statement No. 75 did have an impact on the TMWA's financial statements for the fiscal year ended June 30, 2017. As a result of the implementation of Statement No. 75, amounts previously reported in TMWA's financial statements for the year ended June 30, 2017 were restated. See Note 14 - Prior Period Adjustment for more information.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is effective for fiscal years beginning after December 15, 2019. Earlier application is encouraged. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement 89 supersedes applicable sections of previously issued statement 62 and requires that interest costs incurred before the end of a construction period are recognized as an expense in the period incurred and not included in the construction costs of the related asset. This statement is to be applied prospectively. TMWA has early adopted this standard as of the year ended June 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged. The objective of this Statement is to provide financial statement users with information about asset retirement obligations that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. TMWA is currently evaluating how the adoption of Statement No. 83 will affect TMWA's financial position, results of operations or cash flow, but a material affect is not expected.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The objective of this Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Statement No. 85 will not affect TMWA's financial position, results of operation or cash flow.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Statement No. 86 does not have any affect on TMWA's financial position, results of operation or cash flow at this time.

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Earlier application is encouraged. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. TMWA does not expect the adoption of Statement No. 87 to have a material affect on TMWA's financial position, results of operation or cash flow.

In April 2018, the GASB issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged. The primary objective of this Statement is to improve the information that is disclosed in notes to financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. TMWA does not expect the adoption of Statement No. 88 to have a material affect on TMWA's financial position, results of operation or cash flow.

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:

	June 30, 2018	June 30, 2017
Billed amounts	\$ 5,598,849	\$ 6,185,181
Earned, but unbilled amounts	8,287,402	8,868,924
	13,886,252	15,054,105
Allowance for uncollectible accounts	(297,447)	(250,715)
Accounts receivable, net	<u>\$ 13,588,805</u>	<u>\$ 14,803,390</u>

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.

As of June 30, 2018, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	4 - 5 Years	Total
Investments				
U.S. Treasuries	\$ 13,725,538	\$ 9,103,904	\$ 20,250,408	\$ 43,079,850
U.S. Agencies	55,729,990	35,667,945	16,791,191	108,189,126
LGIP	3,286,363	—	—	3,286,363
Money Market Mutual Funds	26,345,520	—	—	26,345,520
Certificates of Deposit	1,244,937	3,686,092	5,792,653	10,723,682
Total Investments	100,332,348	48,457,941	42,834,252	191,624,541
Total Cash	1,747,055	—	—	1,747,055
Total Cash and Investments	<u>\$ 102,079,403</u>	<u>\$ 48,457,941</u>	<u>\$ 42,834,252</u>	<u>\$ 193,371,596</u>

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

	Less than 1 Year	1 - 3 Years	4 - 5 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	34,658,111	—	—	34,658,111
Corporate Notes	17,811,237	9,073,890	—	26,885,127
Corporate Commercial Paper	2,979,690	—	—	2,979,690
Total Investments	108,950,423	65,086,207	—	174,036,630
Total Cash	—	—	—	—
Total Cash and Investments	<u>\$ 108,950,423</u>	<u>\$ 65,086,207</u>	<u>\$ —</u>	<u>\$ 174,036,630</u>

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments. On September 20, 2017 the TMWA Board adopted an investment policy which extended TMWA's investment period from two years to five years. Nevada Revised Statutes and TMWA's investment policy set portfolio component thresholds to further limit its exposure to certain risks as set forth below.

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 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 142 days at June 30, 2018, and 310 days at June 30, 2017. 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 "A" or better.

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.

At June 30, 2018 and 2017, the following investments by issuer, exceeded 5% of TMWA's total investments:

	June 30, 2018	
Federal National Mortgage Association	\$ 43,636,448	23%
U.S. Treasury Obligations	43,079,850	22%
Federal Home Loan Bank	38,784,938	20%
Federal Home Loan Mortgage Corporation	16,185,898	8%
	June 30, 2017	
Federal National Mortgage Association	\$ 39,347,575	23%
Federal Home Loan Bank	25,580,936	15%
Federal Home Loan Mortgage Corporation	22,410,737	13%

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, 2018:

	Fair Value	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	\$ 43,079,850	\$ 43,079,850	\$ —
U.S. Agencies	108,189,126	—	108,189,126
Money Market Mutual Funds	26,345,520	26,345,520	—
Certificates of Deposit	10,723,682	—	10,723,682
	188,338,178	<u>\$ 69,425,370</u>	<u>\$ 118,912,808</u>
LGIP	<u>3,286,363</u>		
	<u>\$ 191,624,541</u>		

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

	Fair Value	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	\$ 18,931,822	\$ 18,931,822	\$ —
U.S. Agencies	87,339,248	—	87,339,248
Money Market Mutual Funds	34,658,111	34,658,111	—
Corporate Notes	26,885,127	—	26,885,127
Corporate Commercial Paper	2,979,690	—	2,979,690
	170,793,998	<u>\$ 53,589,933</u>	<u>\$ 117,204,065</u>
LGIP	<u>3,242,632</u>		
	<u>\$ 174,036,630</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.

Certificates of deposit - Valued using interactive date pricing and reference data.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2018 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 20,805,718	\$ 27,508,378	\$ (19,114,756)	\$ 29,199,340
Land	20,143,555	16,828	—	20,160,383
Water rights	109,705,745	—	—	109,705,745
Total capital assets, not being depreciated	150,655,018	27,525,206	(19,114,756)	159,065,468
Capital assets, being depreciated				
Distribution mains	508,804,207	19,370,881	—	528,175,088
Water treatment (plants)	184,897,020	2,303,534	—	187,200,554
Services	141,319,729	5,466,090	—	146,785,819
Pump stations	64,044,824	959,790	(28,709)	64,975,905
Treated water storage (tanks)	89,951,119	1,113,116	(827,298)	90,236,937
Wells	71,104,932	2,009,549	(47,100)	73,067,381
Pressure regulating stations	10,006,789	674,730	(31,293)	10,650,226
Canals	41,254,883	—	—	41,254,883
Reservoirs	18,564,775	239,483	—	18,804,258
Vehicles	5,685,360	1,281,742	(18,167)	6,948,935
Furniture and fixtures	603,066	205,684	—	808,750
Computer hardware and software	2,660,991	770,421	—	3,431,412
Lab equipment	197,578	—	—	197,578
Hydroelectric facilities	28,262,890	—	—	28,262,890
Administrative buildings	12,839,231	1,572,559	—	14,411,790
Total capital assets, being depreciated	1,180,197,394	35,967,579	(952,567)	1,215,212,406
Less accumulated depreciation:				
Distribution mains	(110,436,571)	(9,551,104)	—	(119,987,675)
Water treatment (plants)	(80,189,760)	(5,830,652)	—	(86,020,412)
Services	(92,850,085)	(7,326,471)	—	(100,176,556)
Pump stations	(19,622,935)	(2,036,064)	21,020	(21,637,979)
Treated water storage (tanks)	(25,011,176)	(2,039,551)	360,875	(26,689,852)
Wells	(29,349,994)	(1,998,937)	112	(31,348,819)
Pressure regulating stations	(5,751,392)	(442,562)	26,548	(6,167,406)
Canals	(9,409,860)	(980,214)	—	(10,390,074)
Reservoirs	(5,712,987)	(548,860)	—	(6,261,847)
Vehicles	(2,620,881)	(728,380)	11,960	(3,337,301)
Furniture and fixtures	(455,831)	(57,742)	—	(513,573)
Computer hardware and software	(1,700,082)	(361,425)	—	(2,061,507)
Lab equipment	(111,590)	(34,394)	—	(145,984)
Hydroelectric facilities	(3,563,380)	(575,379)	—	(4,138,759)
Administrative buildings	(2,372,986)	(308,985)	—	(2,681,971)
Total accumulated depreciation	(389,159,510)	(32,820,720)	420,515	(421,559,715)
Total capital assets, being depreciated net	791,037,884	3,146,859	(532,052)	793,652,691
Total Capital Assets, Net	\$ 941,692,902	\$ 30,672,065	\$ (19,646,808)	\$ 952,718,159

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

	Beginning Balance	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	147,064,145	19,605,052	(16,014,179)	150,655,018
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	1,141,041,118	39,640,809	(484,533)	1,180,197,394
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	(357,313,012)	(32,169,578)	323,080	(389,159,510)
Total capital assets, being depreciated net	783,728,106	7,471,231	(161,453)	791,037,884
Total Capital Assets, Net	\$ 930,792,251	\$ 27,076,283	\$ (16,175,632)	\$ 941,692,902

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, the 2018 Refunding Bonds, and any future senior lien bonds.

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. The first draw was on August 16, 2006 for \$30,000,000, and a second draw was on December 5, 2006 for \$13,000,000. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. A third draw was made on February 15, 2008 for \$25,000,000 to fund certain construction projects on an interim basis. A fourth draw was made on June 28, 2011 for \$11,400,000 for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012. TMWA issued a fifth draw for \$27,000,000 on December 17, 2014 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. On various dates in fiscal year 2016, TMWA redeemed \$7,200,000. On September 7, 2016, TMWA redeemed \$4,400,000. This left an outstanding balance of \$83,400,000 as of June 30, 2017. On September 5, 2017 TMWA redeemed \$9,200,000, and on May 15, 2018 TMWA redeemed \$44,200,000 as part of the Series 2018 Water Revenue Refunding (see below). This left an outstanding balance of \$30,000,000 as of June 30, 2018. TMWA intends to pay off this balance over the next five years using proceeds from will-serve sales. Subsequent to fiscal year end 2018, in the first quarter of fiscal year 2019, TMWA paid off \$6,500,000 of the \$30,000,000 outstanding. TMWA has remaining authorization to issue \$53,600,000 as of June 30, 2018 and 2017, respectively. The TECP program is facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and Wells Fargo Bank. The stated amount of the Liquidity Facility is \$32,663,014. The average interest rate on the outstanding balance of TECP as of June 30, 2018 was 1.54% and June 30, 2017 was 0.89%. As of June 30, 2018, the total TECP notes outstanding were comprised of one tranche of \$30,000,000 with maturity of 51 days. As of June 30, 2017, the total TECP notes outstanding were comprised of five tranches ranging from \$10,000,000 to \$21,550,000 with maturities ranging from 31 to 67 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, the 2009A DWSRF Loan, 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, the 2017 Refunding Bonds, the 2018 Refunding Bonds, and any future senior lien bonds.

On February 11, 2010, TMWA entered into a loan contract with DWSRF, the 2010A DWSRF Loan, 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, the 2017 Refunding Bonds, the 2018 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. When it was transferred this loan had a remaining term of 10 years. This loan is subordinate to the senior lien 2015A Refunding Bonds, the 2016 Refunding Bonds, the 2017 Refunding Bonds, the 2018 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 the 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 \$8,971,562. 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, the 2017 Refunding Bonds, the 2018 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 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.

On May 15, 2018, TMWA issued \$38,835,000 in Series 2018 Water Revenue Refunding Bonds which constitute special limited obligations of TMWA. The proceeds of the bond issue of \$44,601,977 were used to refund or redeem \$44,200,000 in maturities of TECP (see above). This transaction was executed to provide a fixed rate of interest expense over the life of the refunding, which was effected by replacing variable rate TECP debt with fixed rate bonds.

The following schedules summarize the changes in long-term obligations as of June 30, 2018:

	Final Maturity Date	Authorized	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due in 2018-2019
2005 Water Revenue							
DWSRF Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 2,358,926	\$ —	\$ 263,065	\$ 2,095,861	\$ 271,577
2009 A Water Revenue							
DWSRF ARRA Bonds 0.00%	7/1/2029	2,401,120	1,545,859	—	123,669	1,422,190	123,669
2010 A Water Revenue							
DWSRF Bonds 3.25%	1/1/2030	4,381,614	3,555,353	—	223,758	3,331,595	231,089
2014 Water Revenue							
DWSRF Bonds 2.82%	1/1/2025	9,109,437	7,176,120	—	811,889	6,364,231	834,864
2015-A Water Revenue							
Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	27,920,000	—	850,000	27,070,000	885,000
2015-B Water Revenue							
DWSRF Bonds 2.62%	7/1/2035	8,971,562	8,971,562	—	382,517	8,589,045	393,327
2016 Water Revenue							
Refunding Bonds 5.00%	7/1/2037	124,790,000	124,790,000	—	—	124,790,000	—
2017 Water Revenue							
Refunding Bonds 4.00%-5.00%	7/1/2030	147,415,000	147,415,000	—	—	147,415,000	—
2018 Water Revenue							
Refunding Bonds 5.00%	7/1/2039	38,835,000	—	38,835,000	—	38,835,000	—
Subtotal		369,323,298	323,732,820	38,835,000	2,654,898	359,912,922	2,739,526
Plus unamortized net bond premium			51,182,862	5,766,977	4,935,241	52,014,598	
Total debt before TECP			374,915,682	44,601,977	7,590,139	411,927,520	
TECP		83,600,000	83,400,000	—	53,400,000	30,000,000	30,000,000
Total Debt		<u>\$ 452,923,298</u>	<u>\$ 458,315,682</u>	<u>\$ 44,601,977</u>	<u>\$ 60,990,139</u>	<u>\$ 441,927,520</u>	<u>\$ 32,739,526</u>

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
2005 Water Revenue							
DWSRF Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 2,613,744	\$ —	\$ 254,818	\$ 2,358,926	\$ 263,065
2006 Water Revenue							
Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	400,000	—	400,000	—	—
2007 Water Revenue							
Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,290,000	—	214,290,000	—	—
2009 A Water Revenue							
DWSRF ARRA Bonds 0.00%	7/1/2029	2,401,120	1,669,527	—	123,669	1,545,859	123,669
2010 A Water Revenue							
DWSRF Bonds 3.25%	1/1/2030	4,381,614	3,772,013	—	216,660	3,555,353	223,757
2014 Water Revenue							
DWSRF Bonds 2.82%	1/1/2025	9,109,437	7,965,667	—	789,547	7,176,120	811,889
2015-A Water Revenue							
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 Bonds 2.62%	7/1/2035	8,971,562	8,239,034	732,529	—	8,971,562	383,321
2016 Water Revenue							
Refunding Bonds 5.00%	7/1/2037	124,790,000	124,790,000	—	—	124,790,000	—
2017 Water Revenue							
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 TECP			420,931,384	173,001,191	219,016,893	374,915,682	
TECP		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>

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
2019	\$ 32,739,526	\$ 16,579,486	\$ 49,319,012
2020	2,829,058	17,215,713	20,044,771
2021	13,460,867	16,925,004	30,385,871
2022	13,599,193	16,361,528	29,960,721
2023	14,679,081	15,701,515	30,380,596
2024-2028	79,208,384	67,536,020	146,744,404
2029-2033	108,457,980	45,723,191	154,181,171
2034-2038	113,688,833	16,846,622	130,535,455
2039	11,250,000	562,500	11,812,500
Total	<u>\$389,912,922</u>	<u>\$ 213,451,579</u>	<u>\$ 603,364,501</u>

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 c) replacement, rehabilitation and/or repair of the STMGID facilities. The restricted amount of \$9,180,630 and \$10,672,290 as of June 30, 2018 and 2017, respectively, is included in the amount restricted for renewal and replacement.

Board Designation

At June 30, 2018 and 2017, the TMWA Board of Directors 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

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 2018-2022 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 - Defined Benefit Pension Plan 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 actuarial 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, 2018 and 2017.

TMWA's contributions were \$2,562,356 and \$5,037,877 for the years ended June 30, 2018 and 2017, 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 PERS.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2017 and 2016:

	Target Allocation	Long-Term Geometric Expected Real Rate of Return
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, 2017 and 2016, PERS' long-term inflation assumption was 2.75% and 3.50%, respectively.

Net Pension Liability

At June 30, 2018, TMWA reported a liability for its proportionate share of the net pension liability of \$37,323,782. The net pension liability was measured as of June 30, 2017, 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, 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.

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, 2017 and 2016, TMWA's proportion was .2806 and .2674 percent, respectively.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of TMWA measured as of June 30, 2017 and 2016, calculated using the discount rate of 7.50% and 8.00%, respectively, and what TMWA's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the discount rates used in each year's valuation:

	1% Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1% Decrease in Discount Rate (8.50%)
Net Pension Liability, June 30, 2017	\$ 56,423,138	\$ 37,323,782	\$ 21,461,468
	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Decrease in Discount Rate (9.00%)
Net Pension Liability, June 30, 2016	\$ 52,753,951	\$ 35,783,246	\$ 22,042,152

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, www.nvpers.org.

Actuarial Assumptions

TMWA's June 30, 2018 net pension liability was measured as of June 30, 2017, 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, 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. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2017	June 30, 2016
Inflation Rate	2.75%	3.50%
Payroll Growth	5.00% including inflation	5.00% including inflation
Investment Rate of Return	7.50%	8.00%
Productivity Pay Increase	0.50%	0.75%
Projected Salary Increases	4.25% to 9.15%, 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	2.75%	3.50%
Other Assumptions	Same as those used in the June 30, 2017 funding actuarial valuation	Same as those used in the June 30, 2016 funding actuarial valuation

Mortality rates for non-disabled male regular members were based on the RP-2014 Combined Healthy Mortality Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. 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. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members is the RP-2000 Disabled Retiree Mortality Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of the experience review completed in 2017 and 2013, respectively.

The discount rate used to measure the total pension liability was 7.50% and 8.00% as of June 30, 2017 and June 30, 2016, respectively. 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, 2017 and 2016, 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, 2017 and June 30, 2016.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2018 and 2017 TMWA recognized pension expense of \$9,796,032 and \$5,470,650, respectively.

At June 30, 2018, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 2,449,195
Changes in assumptions or other inputs	2,476,078	—
Net difference between projected and actual earnings on pension plan investments	242,337	—
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	5,857,451	—
TMWA contributions subsequent to the measurement date	2,562,356	—
	<u>\$ 11,138,222</u>	<u>\$ 2,449,195</u>

\$2,562,356 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, 2019.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 2,410,007
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	5,037,877	—
	<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 was recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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, 2016 (the beginning of the measurement period ended June 30, 2017) is 6.39 years.

Other estimated amounts reported by TMWA as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2018 will be recognized in pension expense as follows:

Year Ending June 30,	
2019	\$ 698,106
2020	2,233,901
2021	1,583,869
2022	529,609
2023	854,720
Thereafter	226,466

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 years ended June 30, 2018 and June 30, 2017, TMWA had matching contributions totaling \$1,181,760, and \$1,066,019, respectively.

Note 11 - Other Post-Employment Benefit (OPEB) Plans

TMWA has two Other Post-Employment Benefit (OPEB) Plans referred to as the §501(c)(9) and §115 plans. The §501(c)(9) plan was established for the benefit of transferred employees from Sierra Pacific Power Company and all new hires. The §115 Plan plan was formed to provide post-employment benefits for employees who transferred from Washoe County as a result of the water utility consolidation. Both plans reference the Internal Revenue Code sections that the plans were formed under. Both plans' investments are held by the Nevada Retirement Benefits Investment Board.

Census data as of June 30, 2018 for both plans is as follows:

	§501(c)(9) Plan	§115 Plan
Retirees receiving benefits	38	3
Retirees eligible for but not receiving benefits	1	—
Active employees	194	19
Total	233	22

Census data as of June 30, 2017 for both plans is as follows:

	<u>§501(c)(9) Plan</u>	<u>§115 Plan</u>
Retirees receiving benefits	36	1
Retirees eligible for but not receiving benefits	1	—
Active employees	181	21
Total	<u>218</u>	<u>22</u>

Plan Descriptions, Eligibility Information and Funding Policies

§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.

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.

Funding Policy. 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 funds the plan based on the actuarially determined contribution (ADC) each year.

§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, 2018. 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.

For 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.

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.

Funding Policy. The plan funds retiree benefits through an irrevocable trust for funding of the post-employment health benefits. TMWA funds the Plan based on the actuarially determined contribution (ADC) each year.

OPEB Expense and Net Position

Total OPEB Expense recognized for fiscal years June 30, 2018 and 2017 is below:

	§501(c)(9) Plan	§115 Plan	Total
2018	\$ 182,959	\$ 100,914	\$ 283,873
2017	\$ 329,386	\$ 122,894	\$ 452,280

Changes in Net Position for each plan for the measurement period ended December 31, 2017 is below:

	§ 501(c)(9) Plan			§115 Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)/ Liability	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)/ Liability
Balance at Fiscal Year Ending June 30, 2017	\$ 10,062,447	\$ 9,268,879	\$ 793,568	\$ 1,677,294	\$ 787,288	\$ 890,006
<i>Measurement Date - December 31, 2016</i>						
Changes During the Period:						
Service Cost	284,073	—	284,073	54,769	—	54,769
Interest Cost	612,850	—	612,850	103,644	—	103,644
Expected Investment Income	—	560,422	(560,422)	—	49,833	(49,833)
Employer Contributions	—	445,063	(445,063)	—	103,441	(103,441)
Auditing Fees	—	(15,500)	15,500	—	(6,000)	6,000
Investment & Administrative Fees	—	(2,612)	2,612	—	(780)	780
Legal Fees	—	(19,268)	19,268	—	(788)	788
Retiree Contributions In	—	93,172	(93,172)	—	930	(930)
Retiree Contributions Out	—	(93,172)	93,172	—	(930)	930
Benefit Payments	(264,699)	(264,699)	—	(9,334)	(9,334)	—
Investment Experience	—	954,609	(954,609)	—	76,171	(76,171)
Net Changes	632,224	1,658,015	(1,025,791)	149,079	212,543	(63,464)
Balance at Fiscal Year Ending June 30, 2018	\$ 10,694,671	\$ 10,926,894	\$ (232,223)	\$ 1,826,373	\$ 999,831	\$ 826,542

Measurement Date - December 31, 2017

Changes in Net Position for each plan for the measurement period ended December 31, 2016 is below:

	§ 501(c)(9) Plan			§115 Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)/ Liability	Total OPEB Liability	Fiduciary Net Position	Net OPEB (Asset)/ Liability
Balance at Fiscal Year Ending June 30, 2016	\$ 9,442,131	\$ 8,733,520	\$ 708,611	\$ 1,529,690	\$ 611,402	\$ 918,288
<i>Measurement Date - December 31, 2015</i>						
Changes During the Period:						
Service Cost	273,146	—	273,146	52,663	—	52,663
Interest Cost	576,050	—	576,050	94,941	—	94,941
Expected Investment Income	—	536,863	(536,863)	—	35,423	(35,423)
Employer Contributions	—	244,429	(244,429)	—	151,176	(151,176)
Auditing Fees	—	(12,900)	12,900	—	(8,900)	8,900
Investment & Administrative Fees	—	(2,490)	2,490	—	(675)	675
Legal Fees	—	(1,663)	1,663	—	(1,138)	1,138
Retiree Contributions In	—	90,145	(90,145)	—	—	—
Retiree Contributions Out	—	(90,145)	90,145	—	—	—
Benefit Payments	(228,880)	(228,880)	—	—	—	—
Investment Experience	—	—	—	—	—	—
Net Changes	620,316	535,359	84,957	147,604	175,886	(28,282)
Balance at Fiscal Year Ending June 30, 2017	<u>\$ 10,062,447</u>	<u>\$ 9,268,879</u>	<u>\$ 793,568</u>	<u>\$ 1,677,294</u>	<u>\$ 787,288</u>	<u>\$ 890,006</u>
<i>Measurement Date - December 31, 2016</i>						

A schedule of the plan's deferred resources as of June 30, 2018 is below:

	§501(c)(9) Plan		§115 Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Investments	\$ —	\$ 763,687	\$ —	\$ 60,937
Contributions Made Subsequent to the Measurement Date	324,529	—	119,366	—
Total	<u>\$ 324,529</u>	<u>\$ 763,687</u>	<u>\$ 119,366</u>	<u>\$ 60,937</u>

A schedule of the Plan's deferred resources as of June 30, 2017 is below:

	§501(c)(9) Plan		§115 Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions Made Subsequent to the Measurement Date	\$ 445,063	\$ —	\$ 103,442	\$ —
Total	<u>\$ 445,063</u>	<u>\$ —</u>	<u>\$ 103,442</u>	<u>\$ —</u>

TMWA will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of other deferred resources as of June 30, 2018 is shown below.

Year ended June 30,	§501(c)(9) Plan	§115 Plan
	Deferred Inflows Recognized in OPEB Expense	Deferred Inflows Recognized in OPEB Expense
2019	\$ (190,922)	\$ (15,234)
2020	(190,922)	(15,234)
2021	(190,922)	(15,234)
2022	(190,921)	(15,235)

Actuarial Valuation Assumptions

The total OPEB liability as of December 31, 2017 was determined using the following actuarial assumptions.

Healthcare trend rate (both plans) - TMWA plan medical premiums and per capita claims costs are assumed to increase at the following rates:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2019	6.3%	2023	5.3%
2020	6.0%	2024	5.0%
2021	5.8%	2025	5.0%
2022	5.5%	Thereafter	5.0%

Additional significant assumptions are listed below for each plan:

Assumption	\$501(c)(9) Plan	\$115 Plan
Valuation Date	December 31, 2017	December 31, 2017
Funding Method	Entry Age Normal Cost, level percent of pay	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets	Market value of assets
Mortality	<i>Males:</i> RP-2000 Combined Healthy Table <i>Females:</i> RP-2000 Combined Healthy Table set back 1 year The rates described above were then adjusted to anticipate future mortality improvements each year until the payments anticipated in any future year occur.	<i>Males:</i> RP-2000 Combined Healthy Table <i>Females:</i> RP-2000 Combined Healthy Table set back 1 year The rates described above were then adjusted to anticipate future mortality improvements each year until the payments anticipated in any future year occur.
Long-Term Return on Assets and Discount Rate	6.0% Based on estimated future returns of the Retirement Benefits Investment Board. Rate is applied to all periods of projected benefit payments.	6.0% Based on estimated future returns of the Retirement Benefits Investment Board. Rate is applied to all periods of projected benefit payments.
Participants Valued	Only current active employees and retired participants and covered dependents are valued, excluding those who transferred to TMWA from Washoe County. No future entrants are considered in this valuation.	Only current active employees and retired participants who transferred to TMWA from Washoe County and covered dependents are valued. This plan is closed to new members.
Salary Increase	4.0% per year	4.0% per year
Assumed Wage Inflation	3.0% per year; a component of assumed average annual payroll increases	3.0% per year; a component of assumed average annual payroll increases
General Inflation Rate	2.75% per year	2.75% per year
Medicare Eligibility	All individuals are assumed to be eligible for Medicare Parts A and B at age 65.	All individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Employer Cost Sharing	IBEW Pre - 1998 Hires: Increases in the PRMPT-paid portion of healthcare premiums are assumed to increase at the same rates as medical trend (described above). IBEW Post-1997 Hires: The \$1,250 service multiplier is assumed to remain fixed at its current level in all future years. Retirees are expected to exhaust the lifetime allowance 4 years following retirement. MPAT: The \$235 (pre-65) and \$105 (post-65) service multipliers are assumed to remain fixed at their current level in all future years.	Tier 1: Increases in the Trust-paid portion of healthcare premiums are assumed to increase at the same rates as medical trend (described above). Tier 2: The TMWA subsidy provided prior to age 65 is assumed to increase at the same rates as medical trend. The subsidy provided at ages 65 and above is assumed to increase by 4.5% per year.

The discount rate used for the measurement period ended December 31, 2017 is 6.0%. Medical Cost Inflation was assumed to start at 6.25% and grade down to 5.0% for years 2024 and thereafter. The impact of a 1% increase or decrease in these assumptions is shown in the charts below for the two measurement periods.

December 31, 2017

\$501(c)(9) Plan	Discount Rate			Medical Cost Inflation		
	Discount Rate		Discount Rate	Medical Trend		Medical Trend
	- 1%	Discount Rate		- 1%	Medical Trend	+ 1%
Total OPEB Liability	\$ 11,927,167	\$ 10,694,671	\$ 9,639,197	\$ 9,647,634	\$ 10,694,671	\$ 12,067,197
Increase (Decrease)	1,232,496		(1,055,474)	(1,047,037)		1,372,526
% Increase (Decrease)	11.5%		(9.9)%	(9.8)%		12.8%
Net OPEB Liability (Asset)	\$ 1,000,273	\$ (232,223)	\$ (1,287,697)	\$ (1,279,260)	\$ (232,223)	\$ 1,140,303
Increase (Decrease)	1,232,496		(1,055,474)	(1,047,037)		1,372,526
% Increase (Decrease)	530.7%		(454.5)%	(450.9)%		591.0%

§115 Plan

	Discount Rate			Medical Cost Inflation		
	Discount Rate		Discount Rate	Medical Trend	Current	Medical Trend
	-1%	Discount Rate	+1%	-1%	Medical Trend	+1%
Total OPEB Liability	\$ 2,093,203	\$ 1,826,373	\$ 1,605,093	\$ 1,559,685	\$ 1,826,373	\$ 2,180,680
Increase (Decrease)	266,830		(221,280)	(266,688)		354,307
% Increase (Decrease)	14.6%		(12.1)%	(14.6)%		19.4%
Net OPEB Liability (Asset)	\$ 1,093,372	\$ 826,542	\$ 605,262	\$ 559,854	\$ 826,542	\$ 1,180,849
Increase (Decrease)	266,830		(221,280)	(266,688)		354,307
% Increase (Decrease)	32.3%		(26.8)%	(32.3)%		42.9%

December 31, 2016

§501(c)(9) Plan

	Discount Rate			Medical Cost Inflation		
	Discount Rate		Discount Rate	Medical Trend	Current	Medical Trend
	- 1%	Discount Rate	+ 1 %	- 1%	Medical Trend	+ 1 %
Total OPEB Liability	\$ 11,261,843	\$ 10,062,447	\$ 9,036,913	\$ 9,112,523	\$ 10,062,447	\$ 11,306,158
Increase (Decrease)	1,199,396		(1,025,534)	(949,924)		1,243,711
% Increase (Decrease)	11.9%		(10.2)%	(9.4)%		12.4%
Net OPEB Liability (Asset)	\$ 1,992,964	\$ 793,568	\$ (231,966)	\$ (156,356)	\$ 793,568	\$ 2,037,279
Increase (Decrease)	1,199,396		(1,025,534)	(949,924)		1,243,711
% Increase (Decrease)	151.1%		(129.2)%	(119.7)%		156.7%

§115 Plan

	Discount Rate			Medical Cost Inflation		
	Discount Rate		Discount Rate	Medical Trend	Current	Medical Trend
	- 1%	Discount Rate	+ 1 %	- 1%	Medical Trend	+ 1 %
Total OPEB Liability	\$ 1,934,330	\$ 1,677,294	\$ 1,464,972	\$ 1,433,099	\$ 1,677,294	\$ 2,001,771
Increase (Decrease)	257,036		(212,322)	(244,195)		324,477
% Increase (Decrease)	15.3%		(12.7)%	(14.6)%		19.3%
Net OPEB Liability (Asset)	\$ 1,147,042	\$ 890,006	\$ 677,684	\$ 645,811	\$ 890,006	\$ 1,214,483
Increase (Decrease)	257,036		(212,322)	(244,195)		324,477
% Increase (Decrease)	28.9%		(23.9)%	(27.4)%		36.5%

Note 12 - 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 \$850,000 as a contribution 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. This payment was made in August 2018.

Note 13 - Subsequent Events

In September 2018, TMWA reduced its outstanding commercial paper balance from \$30,000,000 to \$23,500,000 with a payment from unrestricted cash of \$6,500,000.

Note 14 - Prior Period Adjustment

Change in Accounting Principal

Following the implementation of GASB Statement No. 75, amounts previously reported for the year ended June 30, 2017 were restated as follows: Statements of Net Position - deferred outflow of resources increased by \$548,505 and net other post employment benefits liability increased by \$1,683,574; Statements of Revenues Expenses and Changes in Net Position - employee benefits decreased by \$115,543 and beginning net position decreased by \$1,250,612. Additionally, amounts were restated in the Statement of Cash Flows in the Reconciliation of Operating Income to Net Cash from Operating Activities including an increase to OBEP expense of \$432,963 and decrease to OPEB contributions of \$548,504.

Required Supplementary Information

Truckee Meadows Water Authority

	2018	2017
§501(c)(9) Plan		
<u>Total OPEB Liability</u>		
Service Cost	\$ 284,073	\$ 273,146
Interest	612,850	576,050
Changes of benefit terms	—	—
Differences between expected and actual experience	—	—
Changes of assumptions	—	—
Benefit payments	(264,699)	(228,880)
Total OPEB Liability - Beginning	<u>10,062,447</u>	<u>9,442,131</u>
Total OPEB Liability - Ending	\$ 10,694,671	\$ 10,062,447
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ 445,063	\$ 244,429
Net investment income	1,515,031	536,863
Benefit payments	(264,699)	(228,880)
Auditing fees	(15,500)	(12,900)
Investment & administrative fees	(2,612)	(2,490)
Legal fees	(19,268)	(1,663)
Retiree contributions in	93,172	90,145
Retiree contributions out	(93,172)	(90,145)
Net change in plan fiduciary net position	<u>1,658,015</u>	<u>535,359</u>
Plan fiduciary net position - beginning	<u>9,268,879</u>	<u>8,733,520</u>
Plan fiduciary net position - ending	\$ 10,926,894	\$ 9,268,879
Net OPEB liability - ending	\$ (232,223)	\$ 793,568
Plan fiduciary net position as a percentage of total OPEB liability	102.2 %	92.1%
Covered-employee payroll	<u>\$ 15,993,551</u>	<u>\$ 13,944,136</u>
Net OPEB liability as a percentage of covered-employee payroll	(1.5)%	5.7%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

	2018	2017
§115 Plan		
<u>Total OPEB Liability</u>		
Service Cost	\$ 54,769	\$ 52,663
Interest	103,644	94,941
Changes of benefit terms	—	—
Differences between expected and actual experience	—	—
Changes of assumptions	—	—
Benefit payments	(9,334)	—
Total OPEB Liability - Beginning	<u>1,677,294</u>	<u>1,529,690</u>
Total OPEB Liability - Ending	<u>\$ 1,826,373</u>	<u>\$ 1,677,294</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - employer	\$ 103,441	\$ 151,176
Net investment income	126,004	35,423
Benefit payments	(9,334)	—
Auditing fees	(6,000)	(8,900)
Investment & administrative fees	(780)	(675)
Legal fees	(788)	(1,138)
Retiree contributions in	930	—
Retiree contributions out	(930)	—
Net change in plan fiduciary net position	<u>212,543</u>	<u>175,886</u>
Plan fiduciary net position - beginning	<u>787,288</u>	<u>611,402</u>
Plan fiduciary net position - ending	<u>\$ 999,831</u>	<u>\$ 787,288</u>
Net OPEB liability - ending	<u>\$ 826,542</u>	<u>\$ 890,006</u>
Plan fiduciary net position as a percentage of total OPEB liability	54.7%	46.9%
Covered-employee payroll	<u>\$ 1,630,635</u>	<u>\$ 1,658,227</u>
Net OPEB liability as a percentage of covered-employee payroll	50.7%	53.7%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

	2018	2017
§501(c)(9) Plan		
Actuarially Determined Contribution	284,882	445,063
Contributions in relation to the actuarially determined contribution	324,529	445,063
Contribution deficiency (excess)	(39,647)	—
Covered-employee payroll	15,993,551	13,944,136
Contributions as a percentage of covered employee payroll	2.0%	3.2%
§115 Plan		
Actuarially Determined Contribution	119,366	103,441
Contributions in relation to the actuarially determined contribution	119,366	103,441
Contribution deficiency (excess)	—	—
Covered-employee payroll	1,630,635	1,658,227
Contributions as a percentage of covered employee payroll	7.3%	6.2%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

Healthcare trend rate (both plans) - TMWA plan medical premiums and per capita claims costs are assumed to increase at the following rates:

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2019	6.3%	2023	5.3%
2020	6.0%	2024	5.0%
2021	5.8%	2025	5.0%
2022	5.5%	Thereafter	5.0%

Additional significant assumptions are listed below for each plan:

Assumption	\$501(c)(9) Plan	\$115 Plan
Valuation Date	December 31, 2017	December 31, 2017
Funding Method	Entry Age Normal Cost, level percent of pay	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets	Market value of assets
Mortality	<p><i>Males:</i> RP-2000 Combined Healthy Table <i>Females:</i> RP-2000 Combined Healthy Table set back 1 year</p> <p>The rates described above were then adjusted to anticipate future mortality improvements each year until the payments anticipated in any future year occur.</p>	<p><i>Males:</i> RP-2000 Combined Healthy Table <i>Females:</i> RP-2000 Combined Healthy Table set back 1 year</p> <p>The rates described above were then adjusted to anticipate future mortality improvements each year until the payments anticipated in any future year occur.</p>
Long-Term Return on Assets and Discount Rate	6.0% Based on estimated future returns of the Retirement Benefits Investment Board. Rate is applied to all periods of projected benefit payments.	6.0% Based on estimated future returns of the Retirement Benefits Investment Board. Rate is applied to all periods of projected benefit payments.
Participants Valued	Only current active employees and retired participants and covered dependents are valued, excluding those who transferred to TMWA from Washoe County. No future entrants are considered in this valuation.	Only current active employees and retired participants who transferred to TMWA from Washoe County and covered dependents are valued. This plan is closed to new members.
Salary Increase	4.0% per year	4.0% per year
Assumed Wage Inflation	3.0% per year; a component of assumed average annual payroll increases	3.0% per year; a component of assumed average annual payroll increases
General Inflation Rate	2.75% per year	2.75% per year
Medicare Eligibility	All individuals are assumed to be eligible for Medicare Parts A and B at age 65.	All individuals are assumed to be eligible for Medicare Parts A and B at age 65.
Employer Cost Sharing	<p>IBEW Pre - 1998 Hires: Increases in the PRMPT-paid portion of healthcare premiums are assumed to increase at the same rates as medical trend (described above).</p> <p>IBEW Post-1997 Hires: The \$1,250 service multiplier is assumed to remain fixed at its current level in all future years. Retirees are expected to exhaust the lifetime allowance 4 years following retirement.</p> <p>MPAT: The \$235 (pre-65) and \$105 (post-65) service multipliers are assumed to remain fixed at their current level in all future years.</p>	<p>Tier 1: Increases in the Trust-paid portion of healthcare premiums are assumed to increase at the same rates as medical trend (described above).</p> <p>Tier 2: The TMWA subsidy provided prior to age 65 is assumed to increase at the same rates as medical trend. The subsidy provided at ages 65 and above is assumed to increase by 4.5% per year.</p>

	2017	2016	2015	2014
TMWA's proportion of the net pension liability	0.2806%	0.2674%	0.2345%	0.2139%
TMWA's proportionate share of the net pension liability	\$ 37,323,782	\$ 35,783,246	\$ 26,869,406	\$ 22,293,306
TMWA's covered payroll	\$ 17,947,692	\$ 16,314,669	\$ 14,077,995	\$ 12,573,558
TMWA's proportionate share of the net pension liability as a percentage of its covered payroll	207.96%	219.33%	190.86%	177.30%
Plan fiduciary net position as a percentage of the total pension liability	74.42%	72.23%	75.13%	76.30%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

	2018	2017	2016	2015
Statutorily required contribution*	\$ 2,562,356	\$ 5,037,877	\$ 4,534,811	\$ 3,629,441
Contributions in relation to the statutorily required contribution*	\$ 2,562,356	\$ 5,037,877	\$ 4,534,811	\$ 3,629,441
Contribution (deficiency) excess	\$ —	\$ —	\$ —	\$ —
Employer's covered payroll	\$ 18,259,883	\$ 17,947,692	\$ 16,314,669	\$ 14,077,995
Contributions as a percentage of covered payroll	14.03%	28.07%	27.80%	25.78%

Notes to Schedule

Historical information is required only for measurement periods for which GASB 68 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

*Contributions for 2018 reflect employer-paid contributions only due to GASB No. 82, which classifies contributions as member contributions for the purposes of GASB No. 68 if they are made by an employer to satisfy what are actually deemed to be member contribution requirements.

Supplementary Information
June 30, 2018 and 2017

Truckee Meadows Water Authority

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 94,303,278	\$ 95,181,554	\$ 878,276
Hydroelectric sales	2,990,391	3,757,043	766,652
Other operating sales	3,131,500	2,873,495	(258,005)
Total operating revenues	100,425,169	101,812,092	1,386,923
Operating Expenses			
Salaries and wages	19,024,704	18,735,892	288,812
Employee benefits	9,303,274	12,919,692	(3,616,418)
Services and supplies	28,312,357	25,835,318	2,477,039
Total operating expenses before depreciation	56,640,335	57,490,902	(850,567)
Depreciation	34,061,148	32,820,720	1,240,428
Total operating expenses	90,701,483	90,311,622	389,861
Operating Income	9,723,686	11,500,470	1,776,784
Nonoperating Revenues (Expenses)			
Investment earnings	1,342,692	2,313,513	970,821
Net change in fair value of investments	—	(934,120)	(934,120)
Gain (loss) on disposal of assets	—	133,972	133,972
Bond/note issue costs and amortization of bond insurance	(468,624)	(942,927)	(474,303)
Interest expense	(13,394,016)	(11,720,356)	1,673,660
Other nonoperating expense	—	(12,749)	(12,749)
Total nonoperating revenues (expenses)	(12,519,948)	(11,162,667)	1,357,281
Income (Loss) before Capital Contributions	(2,796,262)	337,803	3,134,065
Capital Contributions			
Grants	200,004	348,248	148,244
Water meter retrofit program	781,488	2,379,206	1,597,718
Developer infrastructure contributions	—	15,017,446	15,017,446
Developer will-serve contributions (net of refunds)	5,034,744	6,652,819	1,618,075
Developer capital contributions-other	4,345,296	6,448,549	2,103,253
Developer facility charges (net of refunds)	4,826,436	6,464,559	1,638,123
Contributions from others	—	100,000	100,000
Net capital contributions	15,187,968	37,410,827	22,222,859
Change in Net Position	\$ 12,391,706	\$ 37,748,630	\$ 25,356,924

12-13-18 BOARD Agenda Item 8
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	95,423,483	97,268,183	1,844,700
Operating Expenses			
Salaries and wages	18,319,615	17,257,014	1,062,601
Employee benefits	8,736,336	8,931,738	(195,402)
Services and supplies	25,730,715	23,980,864	1,749,851
Total operating expenses before depreciation	52,786,666	50,169,616	2,617,050
Depreciation	33,247,620	32,169,578	1,078,042
Total operating expenses	86,034,286	82,339,194	3,695,092
Operating Income	9,389,197	14,928,989	5,539,792
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)	(15,173,316)	(11,684,303)	3,489,013
Income (Loss) before Capital Contributions	(5,784,119)	3,244,686	9,028,805
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	31,473,542	43,351,171	11,877,629
Change in Net Position	\$ 25,689,423	\$ 46,595,857	\$ 20,906,434

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			
	2018	2017	2016	2015*
Net Position				
Net investment in capital assets	\$ 533,058,874	\$ 506,700,472	\$ 478,543,111	\$ 444,402,572
Restricted	30,123,412	28,589,861	40,505,804	42,158,803
Unrestricted	104,893,903	95,037,226	65,933,399	77,312,759
Total Net Position	<u>\$ 668,076,189</u>	<u>\$ 630,327,559</u>	<u>\$ 584,982,314</u>	<u>\$ 563,874,134</u>

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 232,327,785	\$ 227,319,870	\$ 222,418,497	\$ 223,410,534	\$ 220,473,195	\$ 204,972,595
25,198,683	22,644,404	13,678,852	22,873,643	23,515,136	23,947,116
54,036,550	51,471,349	57,107,888	41,907,040	43,968,725	56,186,497
<u>\$ 311,563,018</u>	<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>

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
2018	\$101,812,092	\$ 90,311,622	\$ 11,500,470	\$ (11,162,667)	\$ 337,803	\$ 37,410,827	\$ —	\$ 37,748,630
2017	97,268,183	82,339,194	14,928,989	(11,684,303)	3,244,686	43,351,171	—	46,595,857
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

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

	Fiscal Year			
	2018	2017	2016	2015*
Operating Revenues				
Revenues from water sales				
Residential unmetered water sales	\$ 2,505,160	\$ 2,446,144	\$ 3,725,916	\$ 9,366,307
Residential metered water sales	67,393,330	65,829,635	60,198,267	51,796,871
Commercial metered water sales	12,238,878	11,369,179	11,026,132	11,339,953
Irrigation metered & fire protection	11,878,580	11,887,395	11,554,063	11,123,168
Wholesale sales	1,165,606	1,154,907	1,029,954	2,560,399
Total water sales	95,181,554	92,687,260	87,534,332	86,186,698
Hydroelectric revenue	3,757,043	1,788,934	1,175,195	1,366,786
Other operating revenues	2,873,495	2,791,989	3,219,416	2,475,832
Total operating revenues	<u>\$ 101,812,092</u>	<u>\$ 97,268,183</u>	<u>\$ 91,928,943</u>	<u>\$ 90,029,316</u>

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 9,731,811	\$ 10,288,324	\$ 10,899,330	\$ 11,611,351	\$ 13,115,143	\$ 14,216,666
44,137,033	43,957,551	41,476,536	37,636,859	35,962,518	34,646,185
10,755,824	10,885,539	10,473,659	10,214,401	10,112,854	9,812,718
10,720,156	11,031,924	10,129,233	9,007,523	8,894,110	8,716,187
3,845,593	3,748,276	3,473,100	2,938,106	3,136,081	2,833,330.3
79,190,417	79,911,614	76,451,858	71,408,240	71,220,706	70,225,086.3
3,045,147	3,557,965	3,519,897	3,079,158	2,577,660	2769918
2,079,826	2,107,528	1,818,744	1,759,035	1,869,482	2,018,822
<u>\$ 84,315,390</u>	<u>\$ 85,577,107</u>	<u>\$ 81,790,499</u>	<u>\$ 76,246,433</u>	<u>\$ 75,667,848</u>	<u>\$ 75,013,826.3</u>

	Fiscal Year			
	2018	2017	2016	2015*
Salaries and wages	\$ 18,735,892	\$ 17,257,014	\$ 16,541,811	\$ 13,763,006
Employee benefits	12,919,692	8,931,738	6,364,279	5,271,735
Contract services	8,678,689	6,204,863	7,335,521	6,321,061
Utilities/power	5,322,771	5,201,870	5,386,413	5,449,347.43
Prof services (general/legal/media/leg)	2,905,859	2,258,454	2,512,154	3,132,132.46
Supplies	2,317,853	2,635,229	2,700,906	2,572,698.81
Chemicals	1,605,280	1,984,300	1,803,614	1,554,496.19
Insurance and claims	675,430	719,604	742,006	684,021.23
Leases and rentals	104,243	146,999	96,290	79,639.67
Other expenses	4,225,195	4,829,545	4,998,323	3,387,273.21
Total operating expenses before depreciation	57,490,904	50,169,616	48,481,317	42,215,411
Depreciation	32,820,720	32,169,578	32,134,190	27,899,449
Total Operating Expenses	<u>\$ 90,311,624</u>	<u>\$ 82,339,194</u>	<u>\$ 80,615,507</u>	<u>\$ 70,114,860</u>

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 12,007,022	\$ 11,128,162	\$ 11,049,337	\$ 11,180,101	\$ 11,619,701	\$ 11,665,974
5,045,922	4,819,187	4,537,531	4,378,347	4,429,266	4,528,891
4,826,066	4,868,532	5,090,741	5,488,432.36	6,623,575.8	5,848,255
5,189,312	4,571,453	4,432,932	6,639,620.01	7,384,879.38	7,292,830
2,538,097	1,610,614	1,254,751	1,909,575.26	2,751,236	2,755,823
1,736,763	1,522,106	1,155,351	1,112,418.82	1,319,905	1,496,065
1,383,824	1,333,002	1,361,144	1,653,424.13	1,443,176.84	1,231,681
501,300	534,577	608,352	647,983.2	611,404.64	644,638
70,196	74,595.51	84,843.57	69,471.58	124,562.51	—
3,802,687	3,810,819.53	3,645,076.02	3,318,783.64	3,754,602.83	4,310,112
37,101,189	34,273,048	33,220,057	36,398,157	40,062,310	39,774,269
22,517,885	22,349,225	22,322,217	21,990,618	22,153,951	20,817,485
<u>\$ 59,619,074</u>	<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>

Fiscal Year	Investment Earnings	Interest Expense	Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or Expenses	Total Nonoperating Expenses
2018	\$ 2,313,513	\$ (11,720,356)	\$ —	\$ 133,972	\$ (1,889,796)	\$ (11,162,667)
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)

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year	Developer Water Rights/ Will Serves	Developer Infrastructure	Developer Other	Water Meter Retrofit Program	Developer Facility Charges	From Other Governments	From Others	Total
2018	\$ 6,652,819	\$15,017,446	\$ 6,448,549	\$ 2,379,206	\$ 6,464,559	\$ 348,248	\$ 100,000	\$37,410,827
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

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
Schedule No. 7 - Gallons of Water Sold and Revenues by Category
Last Ten Fiscal Years

Category	2018		2017	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	—	\$ 2,505,160	—	\$ 2,446,145
Residential Metered	16,335,308	67,393,330	16,487,693	65,829,634
Commercial	4,232,836	12,238,878	4,277,917	11,887,395
Other (2)	2,698,977	11,878,580	2,749,795	11,369,179
Wholesale	591,624	1,165,606	613,051	1,154,907
Total	23,858,745	\$ 95,181,554	24,128,456	\$ 92,687,260

Category	2016		2015*	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	—	\$ 3,725,916	—	\$ 9,366,307
Residential Metered	14,633,319	60,198,267	15,151,881	51,796,871
Commercial	4,086,057	11,026,132	4,350,417	11,339,953
Other (2)	2,579,408	11,554,063	2,913,757	11,123,168
Wholesale	542,875	1,029,954	1,598,995	2,560,399
Total	21,841,659	\$ 87,534,332	24,015,050	\$ 86,186,698

Category	2014		2013	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	—	\$ 9,731,811	—	\$ 10,288,324
Residential Metered	11,581,326	44,137,033	11,916,455	43,957,551
Commercial	3,913,088	10,755,824	4,083,972	10,885,539
Other (2)	2,688,389	10,720,156	2,816,474	11,031,924
Wholesale	2,070,593	3,845,593	1,982,557	3,748,276
Total	20,253,396	\$ 79,190,417	20,799,458	\$ 79,911,614

Category	2012		2011	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	—	\$ 10,899,330	—	\$ 11,611,351
Residential Metered	11,077,177	41,476,536	10,233,494	37,636,859
Commercial	3,902,183	10,473,659	3,925,081	10,214,401
Other (2)	2,543,132	10,129,233	2,279,226	9,007,523
Wholesale	1,831,821	3,473,100	1,573,720	2,938,106
Total	19,354,313	\$ 76,451,858	18,011,521	\$ 71,408,240

Category	2010		2009	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	—	\$ 13,115,143	—	\$ 14,216,666
Residential Metered	9,940,587	35,962,518	11,319,330	34,646,185
Commercial	4,642,286	10,112,854	3,051,746	9,812,718
Other (2)	1,858,589	8,894,110	3,059,335	8,716,187
Wholesale	1,284,293	3,136,081	1,659,709	2,833,330
Total	17,725,755	\$ 71,220,706	19,090,120	\$ 70,225,086

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the 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 customers.

Customer Name	Water Used (000s Gallons)	Total Revenue	% of Total Water Sales
1 Sun Valley Water	591,624	\$ 1,147,925	1.2%
2 Washoe County School District	322,038	978,645	1.0%
3 City of Reno	243,977	860,300	0.9%
4 Nevada Properties (Peppermill)	174,608	459,093	0.5%
5 City of Sparks	126,148	449,239	0.5%
6 Washoe County	145,433	447,275	0.5%
7 University of Nevada Reno	160,923	407,928	0.4%
8 Somerset HOA	104,502	367,202	0.4%
9 GSR Holdings, LLC	170,290	307,294	0.3%
10 Silver Legacy	91,767	252,242	0.3%
Totals	2,131,310	\$ 5,677,143	6.0%

City of Reno includes the Reno Housing Authority.

	Fiscal Year (in millions)			
	2018	2017	2016	2015*
Operating revenues ⁽¹⁾	\$ 95,182	\$ 92,687	\$ 87,534	\$ 86,187
Nonoperating revenues ⁽²⁾	8,944	11,790	11,132	5,970
Gross revenues	104,126	104,477	98,666	92,157
Operation and maintenance expenses ⁽³⁾	57,021	50,958	48,030	41,772
Taxes other than income taxes ⁽⁴⁾	470	462	451	443
Total expenses	57,491	51,420	48,481	42,215
Net Revenues	<u>\$ 46,635</u>	<u>\$ 53,057</u>	<u>\$ 50,185</u>	<u>\$ 49,942</u>
Senior Lien Annual Debt Service ⁽⁵⁾	<u>\$ 15,696</u>	<u>\$ 18,916</u>	<u>\$ 31,780</u>	<u>\$ 29,955</u>
Senior Lien Debt Coverage excluding SDCs	<u>2.97</u>	<u>2.80</u>	<u>1.58</u>	<u>1.67</u>
System Development Charges (SDCs):				
Developer facility charges	\$ 6,465	\$ 5,117	\$ 2,932	\$ 2,494
Developer capital contributions - other	6,449	6,062	2,473	1,588
Senior Lien Debt Coverage including SDCs ⁽⁶⁾	<u>3.79</u>	<u>3.40</u>	<u>1.75</u>	<u>1.80</u>

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the 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.

⁽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, 2017 and 2018 Refunding Bonds.

⁽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 and 2018, TMWA deferred principal payments on debt which increased the debt coverage ratio.

Fiscal Year (in millions)					
2014	2013	2012	2011	2010	2009
\$ 79,190	\$ 79,912	\$ 76,452	\$ 71,408	\$ 71,221	\$ 70,225
7,176	7,672	7,643	7,253	6,669	9,197
86,366	87,584	84,095	78,661	77,890	79,422
35,850	36,672	33,851	32,802	35,979	39,646
440	429	422	418	419	416
36,290	37,101	34,273	33,220	36,398	40,062
<u>\$ 50,076</u>	<u>\$ 50,483</u>	<u>\$ 49,822</u>	<u>\$ 45,441</u>	<u>\$ 41,492</u>	<u>\$ 39,360</u>
<u>\$ 31,285</u>	<u>\$ 29,672</u>	<u>\$ 21,295</u>	<u>\$ 31,191</u>	<u>\$ 31,124</u>	<u>\$ 31,420</u>
<u>1.60</u>	<u>1.70</u>	<u>2.34</u>	<u>1.46</u>	<u>1.33</u>	<u>1.25</u>
\$ 964	\$ 1,048	\$ 263	\$ 253	\$ 438	\$ 774
410	470	153	127	185	541
<u>1.64</u>	<u>1.75</u>	<u>2.36</u>	<u>1.47</u>	<u>1.35</u>	<u>1.29</u>

12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
Schedule No. 10 - Schedule of Total Building Permits Issued by Jurisdiction/Member Entity
Last Ten Fiscal Years

Fiscal Year	Washoe County	City of Reno	City of Sparks
2018	4,241	6,096	3,935
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

Source: As reported by each local governmental entity.

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Fiscal Year	Population (1)	Per Capita Income (2)	Median Age (3)	School Enrollment (4)	Total Personal Income (1)	Unemployment rate (Percent) (5)
2018	467,417	\$ 48	37.9	66,989	\$ 22,550,000	4.2%
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%

Sources:

- (1) US Census-Nevada, 2008 - 2012.
Washoe County Community Development, 2013 - 2017.
Washoe County Schedule 4.1, 2018
- (2) U.S. Department of Commerce, 2008.
Washoe County Community Demographic Information 2009 - 2017.
Washoe County Schedule 4.1, 2018
- (3) Center for Regional Studies, University of Nevada, Reno 2009 - 2017.
Washoe County Schedule 4.1, 2018
- (4) Washoe County School District.
Washoe County Schedule 4.1, 2018
- (5) State Department of Employment, Training and Rehabilitation (DETR).
Washoe County Schedule 4.1, 2018
- (6) Washoe County Building and Safety Department.
- (7) Nevada State Department of Taxation.
Washoe County Schedule 4.1, 2018
- (8) Nevada State Gaming Control Board.
Washoe County Schedule 4.1, 2018
- (9) Reno/Tahoe International Airport. (RTIA)
Washoe County Schedule 4.1, 2018

12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
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⁾
234,378	\$ 563,415,327	501	\$ 8,531,252,745	\$ 779,000,000	4,128,476
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

Employer	June 30, 2018			June 30, 2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washoe County School District	7,750	1	3.31%	8,750	1	4.17%
University of Nevada - Reno	4,750	2	2.03%	4,250	2	2.02%
Renown (Washoe) Medical Center	3,250	3	1.39%	2,250	5	1.07%
Washoe County	2,750	4	1.17%	3,250	3	1.55%
Peppermill Hotel Casino - Reno	2,250	5	0.96%	2,250	6	1.07%
Grand Sierra Resort	2,250	6	0.96%	—	—	—
Silver Legacy Resort Casino	2,250	7	0.75%	1,750	7	0.83%
Atlantis Casino Resort	1,750	8	0.75%	1,750	9	0.83%
International Gaming Technology	1,750	9	0.75%	2,750	4	1.31%
St. Mary's	1,750	10	0.75%	1,750	10	—
City of Reno	—	—	—	1,750	8	0.83%
Total Washoe Covered Employment	<u>234,378</u>			<u>210,082</u>		

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

Source: Nevadaworkforce.com

Nevada Employment and Unemployment Data (DES and Laus)

Washoe County Schedule 4.2

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12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
Schedule No. 13 - Customer and Water Sales by Category
Last Ten Fiscal Years

2018				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	672	0.5%	\$ 2,505,160	2.6%
Residential Metered	111,963	91.3%	67,393,330	70.8%
Commercial	10,038	8.2%	12,238,878	12.9%
Other ⁽²⁾	2	—%	11,878,580	12.5%
Wholesale	2	—%	1,165,606	1.2%
Total	122,677	100.0%	\$ 95,181,554	100.0%
2017				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues ⁽¹⁾	% of Total Revenues
Residential-Unmetered	695	0.6%	\$ 2,446,144	2.6%
Residential Metered	109,939	91.2%	65,829,635	71.0%
Commercial and Irrigation	9,931	8.2%	11,369,179	12.3%
Other (2)	2	—%	11,887,395	12.8%
Wholesale	2	—%	1,154,907	1.2%
Total	120,569	100.0%	\$ 92,687,260	100.0%
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	—%	11,554,063	13.2%
Wholesale	1	—%	1,029,954	1.2%
Total	118,669	100.0%	\$ 87,534,332	100.0%
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	10.9%
Residential Metered	100,446	83.1%	51,796,871	60.1%
Commercial and Irrigation	9,648	8.0%	11,339,953	13.2%
Other (2)	4,528	3.7%	11,123,168	12.9%
Wholesale	2	—%	2,560,399	3.0%
Total	120,848	100.0%	\$ 86,186,698	100.0%
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	4.2%	10,720,156	13.5%
Wholesale	2	—%	3,845,593	4.9%
Total	95,554	100.0%	\$ 79,190,417	100.0%

12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
Schedule No. 13 - Customer and Water Sales by Category
Last Ten Fiscal Years

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	8,702	9.2%	10,885,539	13.6%
Other ⁽²⁾	3,965	4.2%	11,031,924	13.8%
Wholesale	2	—%	3,748,276	4.7%
Total	94,709	100.0%	\$ 79,911,614	100.0%
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	—%	3,473,100	4.5%
Total	94,320	100.0%	\$ 76,451,858	100.0%
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	—%	2,938,106	4.1%
Total	93,786	100.0%	\$ 71,408,240	100.0%
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	—%	3,136,081	4.4%
Total	93,374	100.0%	\$ 71,220,706	100.0%
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	—%	2,833,330	4.0%
Total	93,359	100.0%	\$ 70,225,086	100.0%

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the 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.

Coverage	Carrier/Policy	Term	Limits/Deductible
Property/Boiler and Machinery Policy	America Home Assurance Company (AIG)	6/11/2017 to 6/11/2019	Blanket limit of \$463,043,811 per occurrence with sub-limits of \$50,000,000 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	Philadelphia Indemnity Insurance Company	6/11/2017 to 6/11/2018	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	Philadelphia Indemnity Insurance Company	6/11/2017 to 6/11/2018	First Layer Excess Liability limit of \$10,000,000.
	Travelers Insurance Company	6/11/2017 to 6/11/2018	Second Layer Excess Liability Limit of \$10,000,000.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/2017 to 6/11/2018	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	6/11/2017 to 6/11/2018	Varies by plan selected.
Commercial Crime/ Government Crime	Fidelity & Deposit Company of Maryland	6/11/2017 to 6/11/2018	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.
	Zurich		Fraudulent Impersonation \$250,000.
Network Security/ Cyber Risk	Ace American Insurance Company	6/11/2017 to 6/11/2018	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. Crisis Management Expenses \$1,000,000.
Kidnap and Ransom	National Union Fire Insurance Company	6/11/2017 to 6/11/2019	Ransom, In-Transit Delivery, Expenses, Judgements, Settlements, and Defense \$3,000,000 Death or Dismemberment \$250,000/\$1,250,000 person/event. Disappearance/Threat \$100,000, Hostage Crisis \$500,000

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	Fiscal Year			
	2018	2017	2016	2015*
Administration/IT	28	25	28	22
Supply/Treatment Operations	40	40	32	30
Distribution Maintenance	65	65	63	62
Hydroelectric	7	7	6	6
Customer Service/Conservation	23	25	25	24
Water Planning/Resources	15	17	19	19
Engineering/Construction	28	25	24	23
Total Authorized Employees	<u>206</u>	<u>204</u>	<u>197</u>	<u>186</u>

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
20	18	20	22	22	22
31	26	27	28	28	28
48	45	44	42	45	45
6	7	8	7	5	5
20	26	33	28	41	41
13	15	12	13	14	14
14	15	11	14	15	15
152	152	155	154	170	170

Customer Charges by Meter Size	2018			2017			2016		
	TMWA	WC	STMGID	TMWA	WC	STMGID	TMWA	WC	STMGID
3/4"	19.67	18.49	10.07	19.1	17.95	9.77	18.54	17.43	9.49
1"	21.64	23.79	12.32	21.01	23.09	11.96	20.4	22.42	11.61
1 1/2"	24.61	34.02	17.47	23.9	33.03	16.96	23.2	32.07	16.47
2"	28.54	45.36	n/a	27.71	44.04	n/a	26.9	42.76	n/a
3"	32.46	73.04	n/a	31.52	70.92	n/a	30.6	68.85	n/a
4"	37.34	106.98	n/a	36.26	103.87	n/a	35.2	100.84	n/a
6"	43.28	195.05	n/a	42.02	189.37	n/a	40.8	183.85	n/a

Commodity Charge (all meter sizes)

TMWA Tier 1	1.82		1.77		1.72
TMWA Tier 2	2.95		2.86		2.78
TMWA Tier 3	3.45		3.35		3.25
WC Tier 1	2.78		2.7		2.62
WC Tier 2	3.47		3.37		3.27
WC Tier 3	4.17		4.05		3.93
WC Tier 4	5.57		5.41		5.25
STMGID Tier 1		1.44		1.4	1.36
STMGID Tier 2		1.91		1.85	1.8
STMGID Tier 3		2.34		2.28	2.21
STMGID Tier 4		2.74		2.66	2.58
STMGID Tier 5		2.9		2.81	2.73

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	n/a	n/a	47.65	n/a	n/a	46.26	100.63	89.82	44.91
1"	n/a	n/a	47.65	n/a	n/a	46.26	144.9	90.18	44.91
1 1/2"	n/a	n/a	47.65	n/a	n/a	46.26	262.6	92.12	44.91
2"	n/a	n/a	47.65	n/a	n/a	46.26	374.3	93.55	44.91
3"	n/a	n/a	47.65	n/a	n/a	46.26	469.9	94.96	44.91
4"	n/a	n/a	47.65	n/a	n/a	46.26	595.7	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, May 2017, and May 2018

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

			Fiscal Year					
2015*			2014	2013	2012	2011	2010	2009
TMWA	WC	STMGID						
18.54	17.43	9.49	18.54	17.12	17.12	15.7	15.7	15.7
20.4	22.42	11.61	20.40	18.80	18.80	17.30	17.30	17.30
23.2	32.07	16.47	23.20	21.40	21.40	19.60	19.60	19.60
26.9	42.76	n/a	26.90	24.80	24.80	22.80	22.80	22.80
30.6	68.85	n/a	30.60	28.20	28.20	25.90	25.90	25.90
35.2	100.84	n/a	35.20	32.50	32.50	29.80	29.80	29.80
40.8	183.85	n/a	40.80	37.70	37.70	34.50	34.50	34.50
1.72			1.72	1.72	1.72	1.72	1.72	1.63
2.78			2.78	2.78	2.78	2.78	2.78	2.64
3.25			3.25	3.25	3.25	3.25	3.25	3.05
	2.62							
	3.27							
	3.93							
	5.25							
		1.36						
		1.8						
		2.21						
		2.58						
		2.73						
100.63	89.82	44.91	100.63	94.1	94.1	86.3	86.3	84.2
144.9	90.18	44.91	144.9	135.5	135.5	124.3	124.3	121.2
262.6	92.12	44.91	262.6	245.6	245.6	225.2	225.2	219.8
374.3	93.55	44.91	374.3	350.1	350.1	321.00	321.00	313.2
469.9	94.96	44.91	469.9	439.4	439.4	403.00	403.00	393.2
595.7	99.18	44.91	595.7	557.1	557.1	510.00	510.00	498.5
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

	Fiscal Year			
	2018	2017	2,016	2015*
Miles of water mains	1986	1961	1940	1915
Number of storage tanks	88	93	93	93
Number of Finished Water Storage	2	2	2	2
Number of pump stations	113	113	121	112
Number of wells	82	81	79	86
Treatment capacity (millions of gallons/day)				
Glendale Plant	34.5	34.5	34.5	37.5
Chalk Bluff	90	90	90	95
Longley Lane	3.6	3.6	3.6	—

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
1341	1337	1352	1339	1332	1330
42	42	42	42	42	4
2	2	2	2	2	2
93	94	95	94	96	108
32	32	32	32	32	32
37.5	37.5	37.5	25	25	25
95	95	95	95	95	89

	Final Maturity Date	Authorized	Balance June 30, 2018	Balance June 30, 2017	Balance June 30, 2016
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	2,095,861	2,358,926	2,613,744
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	—	—	—
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	—	—	400,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	—	—	214,290,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,422,190	1,545,859	1,669,527
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	—	—	—
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,331,595	3,555,353	3,772,013
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	6,364,231	7,176,120	7,965,667
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	27,070,000	27,920,000	28,750,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	1/1/2035	15,000,000	8,589,045	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	124,790,000
2017 Water Revenue (Tax Exempt) Refunding Bonds 4.50% -5.00%	1/1/2025	147,415,000	147,415,000	147,415,000	—
2018 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2039	38,835,000	38,835,000	—	—
Subtotal			359,912,922	323,732,820	392,489,985
Less unamortized net bond discount (premium)			(52,014,598)	(51,182,862)	(28,441,399)
Total debt before tax exempt commercial paper			411,927,520	374,915,682	420,931,384
Tax-Exempt Commercial Paper		\$ 148,600,000	30,000,000	83,400,000	87,800,000
Total Debt			\$ 441,927,520	\$ 458,315,682	\$ 508,731,384

12-13-18 BOARD Agenda Item 8
Truckee Meadows Water Authority
Schedule No. 18 - Schedule of Changes in Debt
Last Ten Fiscal Years

Balance June 30, 2015	Balance June 30, 2014	Balance June 30, 2013	Balance June 30, 2012	Balance June 30, 2011	Balance June 30, 2010	Balance June 30, 2009
\$ —	\$ —	\$ —	\$ —	\$ 8,810,000	\$ 28,590,000	\$ 66,035,000
2,860,578	3,099,675	3,331,277	3,555,620	3,772,931	3,983,431	4,187,333
890,000	34,795,000	35,620,000	36,415,000	37,180,000	37,920,000	38,635,000
148,415,000	148,785,000	149,140,000	149,485,000	149,815,000	150,135,000	150,445,000
214,800,000	215,285,000	215,745,000	216,185,000	216,605,000	217,005,000	217,385,000
1,793,197	1,916,866	2,040,534	2,164,202	2,282,661	2,309,945	—
9,435,000	19,855,000	28,240,000	28,240,000	28,240,000	28,240,000	—
3,981,798	4,184,928	4,381,614	4,381,614	3,921,904	201,110	—
8,733,487	—	—	—	—	—	—
28,750,000	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
419,659,060	427,921,468	438,498,425	440,426,436	450,627,496	468,384,486	476,687,333
(3,673,290)	(35,590)	(661,198)	(1,286,806)	(3,440,321)	(4,371,510)	(2,267,963)
423,332,350	427,957,058	439,159,623	441,713,242	454,067,817	472,755,996	478,955,296
95,000,000	68,000,000	68,000,000	79,400,000	79,400,000	68,000,000	68,000,000
\$ 518,332,350	\$ 495,957,058	\$ 507,159,623	\$ 521,113,242	\$ 533,467,817	\$ 540,755,996	\$ 546,955,296

	Fiscal Year			
	2018	2017	2016	2015*
Total Debt	\$ 359,912,922	\$ 407,132,820	\$ 480,289,985	\$ 514,659,060
Total Service Connections	120,746	118,348	116,653	114,529
Debt per Service Connection	2,981	3,440	4,117	4,494

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

* Fiscal Year 2015 reflects the first year of the water utility consolidation as discussed in Note 1 of the Financial Statements.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 495,921,468	\$ 506,498,425	\$ 519,826,436	\$ 530,027,496	\$ 536,384,486	\$ 544,687,333
89,070	88,268	87,464	87,013	86,781	86,948
5,568	5,738	5,943	6,091	6,181	6,265

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 (TMWA), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated November 30, 2018.

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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Reno, Nevada
November 30, 2018

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, 2018, 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, 2017.

Prior Year Recommendations

There were no findings for the year ended June 30, 2017.

Current Year Recommendations

We noted no material weaknesses and reported no significant deficiencies in internal control for the current year.



Reno, Nevada
November 30, 2018



TO: Board of Directors
THRU: Mark Foree, General Manager
FROM: Michele Sullivan, Chief Financial Officer
Matt Bowman, Financial Controller
DATE: February 11, 2019
SUBJECT: Presentation of financial performance for the fiscal year first half ended December 31, 2018

Summary

Please refer to Attachments A-1 and A-2 for full Statements of Revenues, Expenses and Changes in Net Position for both actual to budget and year-over-year comparisons as discussed in the report below.

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
CHANGE IN NET POSITION	28,274,468	19,284,370	8,990,098	47%

Change in net position (or overall P&L) for the first half of fiscal year 2019 (1H 2019) was \$9.0m more than budget. This was due mostly to higher than budgeted capital contributions caused by continued growth in the service area. Also contributing to the higher than budget change in net position was higher operating revenues (\$1.6m), lower operating expenses (\$2.1m), and lower non-operating expenses (\$1.1m). These variances are all discussed below.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
CHANGE IN NET POSITION	28,274,468	23,796,776	4,477,693	19%

Year over year, change in net position was \$4.5m more in the first half FY 2019 compared to the same period in FY 2018. This is due mostly to higher capital contributions which were \$3.2m more. Additionally, operating revenues were \$4.2m higher, offset by higher operating expenses of \$3.8m, leading to a net year over year increase in operating income of \$0.4m. Lastly, nonoperating expenses were \$0.9m lower in 1H 2019 compared to the prior year.

Cash Position

At December 31, 2018, total cash on hand was \$207.7m or \$14.3m higher than at the beginning of the fiscal year. Of the total cash on hand, \$162.7m was unrestricted to be used to meet upcoming and future operating/maintenance expenses, principal/interest payments and construction project payments. The remaining \$45.0m was restricted to pay for scheduled bond principal and interest payments as well as maintaining required reserves as stipulated in our bond covenants.

Revenue

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 63,236,126	\$ 61,218,991	\$ 2,017,135	3%
Hydroelectric Sales	1,354,168	1,863,756	(509,588)	-27%
Other Operating Sales	1,825,660	1,717,000	108,660	6%
Total Operating Revenues	66,415,954	64,799,747	1,616,207	2%

Operating revenue was \$1.6m higher than budget driven by higher water sales offset by lower hydroelectric sales. Water sales were higher due to increased usage by existing services and slightly more services added during the period than expected. Water usage is budgeted using a three year average and in the late summer/early fall of 2018, we saw slightly hotter and drier conditions than the average of the last three years which led customers to maintain irrigation longer than expected. Additionally, revenue is budgeted assuming a rate of growth (services added) and actual services added slightly outpaced the budgeted/projected growth. Hydroelectric sales are under budget due mostly to major maintenance at the Fleish plant where a section of flume is currently being replaced.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 63,236,126	\$ 58,467,387	\$ 4,768,738	8%
Hydroelectric Sales	1,354,168	1,937,694	(583,526)	-30%
Other Operating Sales	1,825,660	1,778,341	47,319	3%
Total Operating Revenues	66,415,954	62,183,422	4,232,532	7%

The 3% rate increase in May 2018 along with additional service connections has led to an increase in water sales of 8% over prior year. Hydroelectric sales are lower than prior year due to the maintenance at Fleish discussed above.

Operating Expenses

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	10,633,632	10,617,972	15,660	0%
Employee Benefits	4,648,236	5,063,064	(414,827)	-8%
Services and Supplies	14,915,108	15,853,224	(938,116)	-6%
Total Operating Expenses Before Depreciation	30,196,976	31,534,259	(1,337,284)	-4%
Depreciation	16,196,368	16,931,238	(734,870)	-4%
Total Operating Expenses	46,393,344	48,465,497	(2,072,153)	-4%

Total operating expenses are \$2.1m under budget. \$0.7m of this is non-cash depreciation. The remaining \$1.3m of the variance is caused by employee benefits and services and supplies costs coming in under budget. Employee benefit costs are under budget by \$0.4m, however this will likely increase in the second half of the fiscal year after the annual PERS adjustment at the end of the fiscal year. Services and supplies costs are \$0.9m under budget due primarily to lower electric power costs than budget by \$0.6m. This is attributable to timing as total power costs for the year are expected to be in line with budget. Additionally, we have not experienced any large unexpected maintenance expenses during the first six months.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING EXPENSES				
Salaries and Wages	10,633,632	9,301,042	1,332,590	14%
Employee Benefits	4,648,236	4,208,741	439,495	10%
Services and Supplies	14,915,108	12,027,081	2,888,027	24%
Total Operating Expenses Before Depreciation	30,196,976	25,536,864	4,660,112	18%
Depreciation	16,196,368	17,030,751	(834,383)	-5%
Total Operating Expenses	46,393,344	42,567,615	3,825,729	9%

Operating expenses in 1H 2019 were \$3.8m more than prior year. Increases in salaries and wages and employee benefits were caused by additions to headcount along with step and cost of living increases. Employee headcount has risen by approximately 10% since December 2018, much of which is temporary increases to backfill upcoming expected retirements where training is required. Services and supplies were higher due to several occurrences including general price increases in supplies and labor and also additional workload caused by continued growth in the service area. Large increases year over year include the Donner Lake outlet channel dredging project which continued into the first half incurring costs of \$0.9m (no costs in first half FY

2018), increased contribution to the Truckee River Fund of \$850k in FY 2019 compared to \$450k in FY 2018 and higher chemical costs of approximately \$300k due principally to price increases.

Non-Operating Expenses

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,026,855	1,416,774	610,081	43%
Net Increase (Decrease) in FV of Investments	606,107	-	606,107	-
Gain (Loss) on Disposal of Assets	22,539	-	22,539	-
Amortization of Bond/note Issuance Costs	(125,608)	(107,874)	(17,734)	16%
Interest Expense	(6,619,609)	(6,718,260)	98,651	-1%
Other Nonoperating Revenue	19	-	19	-
Other Nonoperating Expense	(185,844)	-	(185,844)	-
Total Nonoperating Revenues (Expenses)	(4,275,541)	(5,409,360)	1,133,819	-21%

Nonoperating expenses are \$1.1m more than budget due mostly to higher investment earnings than budgeted. Higher than budgeted investment earnings are the result of more maturities at increased rates than budgeted. Due to the expected continued rise in rates, and the flat yield curve, TMWA has focused recent investment strategy on short term maturity bonds to allow for flexibility in cash flow and investment options. Regarding increase in the fair value of investments (or unrealized gains) TMWA has taken advantage of increased rates in the middle part of the first half, with ten year treasury rates passing 3%. As these rates have fallen in the recent months, TMWA recognizes unrealized gains by holding investments at rates higher than market. These unrealized gains, can fluctuate as rates increase or decrease and may not result in actual cash gains.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,026,855	921,265	1,105,590	120%
Net Increase (Decrease) in FV of Investments	606,107	(312,289)	918,396	-294%
Gain (Loss) on Disposal of Assets	22,539	20,764	1,775	9%
Amortization of Bond/note Issuance Costs	(125,608)	(238,340)	112,731	-47%
Interest Expense	(6,619,609)	(5,561,145)	(1,058,464)	19%
Other Nonoperating Revenue	19	-	19	-
Other Nonoperating Expense	(185,844)	-	(185,844)	-
Total Nonoperating Revenues (Expenses)	(4,275,541)	(5,169,745)	894,204	-17%

Nonoperating expenses are lower than prior year by \$0.9m due to several factors. First, both realized and unrealized investment income increased by \$2.0m due primarily to the reasons

discussed above. This is offset by more interest expense incurred following the bond refunding in April 2018 (see Agenda Item 7 from May 2018 BOD Meeting for additional information on the Refunding). This bond refunding decreased the principal of commercial paper which is effectively variable rate debt, while increasing principal on fixed rate debt. While this transaction increased interest expense in the short term, it reduced risk by fixing a portion of the debt at a reasonable rate and limiting exposure to interest rate fluctuations in future years.

Capital Contributions

Budget to Actual

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	331,116	850,000	(518,884)	-61%
Water Meter Retrofit Program	926,425	338,010	588,415	174%
Developer Will-serve Contributions (Net of Refunds)	3,044,558	1,735,116	1,309,442	75%
Developer Capital Contributions - Other	3,414,231	2,961,000	453,231	15%
Developer Facility Charges (Net of Refunds)	4,811,069	2,475,354	2,335,715	94%
Net Capital Contributions	12,527,400	8,359,480	4,167,920	50%

Capital contributions were \$4.2m more than budget in the first half. This was driven by higher water rights sales and higher developer contributions offset by lower grant revenue. Grant revenue is less than budget due to timing of expenses incurred and reimbursement from both FEMA and non-FEMA federal awards. The remaining line items are each over budget and reflect the continued pace of growth and development in the service area. These items each have predictable rates, but volume is difficult to predict as it's tied to development projects in the service area which can fluctuate period to period. Budgets are generally conservative as is the case for FY 2019.

Year over Year

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
CAPITAL CONTRIBUTIONS				
Grants	331,116	19,377	311,739	1609%
Water Meter Retrofit Program	926,425	859,077	67,348	8%
Developer Will-serve Contributions (Net of Refunds)	3,044,558	2,505,776	538,782	22%
Developer Capital Contributions - Other	3,414,231	2,911,868	502,364	17%
Developer Facility Charges (Net of Refunds)	4,811,069	3,015,271	1,795,799	60%
Contributions from Others	-	39,345	(39,345)	-100%
Net Capital Contributions	12,527,400	9,350,713	3,176,686	34%

Year over year, capital contributions are \$3.2m more in the first half of FY 2019 compared to FY 2018. Overall, contributions other than grants were consistent with *second half* FY 2018, with \$12.2m in the first half compared to \$12.7m in the second half FY 2018. The largest increase between second half FY 2018 and first half FY 2019 came in developer facility charges due to

timing of large projects. For example, one project alone in July, yielded facility charges of \$1.7m. This increase was offset by decreases across the other categories.

Capital Spending

Spending on capital outlays and construction projects during the first half of FY 2019 was approximately \$17.1m. Top 5 project spend during the first half were: Paloma PRS & Pipeline Improvements (\$1.8m), Arrowcreek BPS and Main (\$1.5m), Chalk Bluff Pump Building Air Handler (\$1.4m), Fleish Flume Reconstruction (\$1.2m) and Mt. Rose Water Treatment Plant (\$1.1m). Total capital spend is estimated to be between \$35m and \$40m for FY 2019.

TRUCKEE MEADOWS WATER AUTHORITY

Comparative Statements of Revenues, Expenses and Changes in Net Position

For the six months ended December 31, 2018

	Actual YTD 2019	Budget YTD 2019	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 63,236,126	\$ 61,218,991	\$ 2,017,135	3%
Hydroelectric Sales	1,354,168	1,863,756	(509,588)	-27%
Other Operating Sales	1,825,660	1,717,000	108,660	6%
Total Operating Revenues	66,415,954	64,799,747	1,616,207	2%
OPERATING EXPENSES				
Salaries and Wages	10,633,632	10,617,972	15,660	0%
Employee Benefits	4,648,236	5,063,064	(414,827)	-8%
Services and Supplies	14,915,108	15,853,224	(938,116)	-6%
Total Operating Expenses Before Depreciation	30,196,976	31,534,259	(1,337,284)	-4%
Depreciation	16,196,368	16,931,238	(734,870)	-4%
Total Operating Expenses	46,393,344	48,465,497	(2,072,153)	-4%
OPERATING INCOME	20,022,610	16,334,250	3,688,360	23%
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,026,855	1,416,774	610,081	43%
Net Increase (Decrease) in FV of Investments	606,107	-	606,107	-
Gain (Loss) on Disposal of Assets	22,539	-	22,539	-
Amortization of Bond/note Issuance Costs	(125,608)	(107,874)	(17,734)	16%
Interest Expense	(6,619,609)	(6,718,260)	98,651	-1%
Other Nonoperating Revenue	19	-	19	-
Other Nonoperating Expense	(185,844)	-	(185,844)	-
Total Nonoperating Revenues (Expenses)	(4,275,541)	(5,409,360)	1,133,819	-21%
Gain (Loss) Before Capital Contributions	15,747,068	10,924,890	4,822,179	44%
CAPITAL CONTRIBUTIONS				
Grants	331,116	850,000	(518,884)	-61%
Water Meter Retrofit Program	926,425	338,010	588,415	174%
Developer Will-serve Contributions (Net of Refunds)	3,044,558	1,735,116	1,309,442	75%
Developer Capital Contributions - Other	3,414,231	2,961,000	453,231	15%
Developer Facility Charges (Net of Refunds)	4,811,069	2,475,354	2,335,715	94%
Net Capital Contributions	12,527,400	8,359,480	4,167,920	50%
CHANGE IN NET POSITION	28,274,468	19,284,370	8,990,098	47%

TRUCKEE MEADOWS WATER AUTHORITY**Comparative Statements of Revenues, Expenses and Changes in Net Position****For the six months ended December 31, 2018**

	Actual YTD 2019	Actual YTD 2018	Variance \$	Variance %
OPERATING REVENUES				
Charges for Water Sales	\$ 63,236,126	\$ 58,467,387	\$ 4,768,738	8%
Hydroelectric Sales	1,354,168	1,937,694	(583,526)	-30%
Other Operating Sales	1,825,660	1,778,341	47,319	3%
Total Operating Revenues	66,415,954	62,183,422	4,232,532	7%
OPERATING EXPENSES				
Salaries and Wages	10,633,632	9,301,042	1,332,590	14%
Employee Benefits	4,648,236	4,208,741	439,495	10%
Services and Supplies	14,915,108	12,027,081	2,888,027	24%
Total Operating Expenses Before Depreciation	30,196,976	25,536,864	4,660,112	18%
Depreciation	16,196,368	17,030,751	(834,383)	-5%
Total Operating Expenses	46,393,344	42,567,615	3,825,729	9%
OPERATING INCOME	20,022,610	19,615,807	406,802	2%
NONOPERATING REVENUES (EXPENSES)				
Investment Earnings	2,026,855	921,265	1,105,590	120%
Net Increase (Decrease) in FV of Investments	606,107	(312,289)	918,396	-294%
Gain (Loss) on Disposal of Assets	22,539	20,764	1,775	9%
Amortization of Bond/note Issuance Costs	(125,608)	(238,340)	112,731	-47%
Interest Expense	(6,619,609)	(5,561,145)	(1,058,464)	19%
Other Nonoperating Revenue	19	-	19	-
Other Nonoperating Expense	(185,844)	-	(185,844)	-
Total Nonoperating Revenues (Expenses)	(4,275,541)	(5,169,745)	894,204	-17%
Gain (Loss) Before Capital Contributions	15,747,068	14,446,062	1,301,006	9%
CAPITAL CONTRIBUTIONS				
Grants	331,116	19,377	311,739	1609%
Water Meter Retrofit Program	926,425	859,077	67,348	8%
Developer Will-serve Contributions (Net of Refunds)	3,044,558	2,505,776	538,782	22%
Developer Capital Contributions - Other	3,414,231	2,911,868	502,364	17%
Developer Facility Charges (Net of Refunds)	4,811,069	3,015,271	1,795,799	60%
Contributions from Others	-	39,345	(39,345)	-100%
Net Capital Contributions	12,527,400	9,350,713	3,176,686	34%
CHANGE IN NET POSITION	28,274,468	23,796,776	4,477,693	19%



STAFF REPORT

TO: Standing Advisory Committee
FROM: Sonia Folsom, TMWA SAC Liaison
DATE: February 25, 2019
SUBJECT: **Presentation of applications to fill two vacancies on the Standing Advisory Committee, and possible recommendation to the Board**

Recommendation

Staff is presenting to the Standing Advisory Committee (SAC) for its review, and possible recommendation to the Board, applications submitted by local residents to fill two vacancies.

Background

The SAC was created in 2005 to review budgets, rate proposals and other matters as directed by the Board. In 2016, the TMWA Board decided to remove the two appointments made by the Northern Nevada Water Planning Commission and the Office of Consumer Advocate and replace those with two at-large positions. The committee currently consists of Board-appointed representatives of ten customer classes and four other seats held by representatives of community-interest groups (Attachment 1). TMWA customers interested in becoming a SAC member can submit a letter of interest at any time and will be presented to the SAC when a vacancy opens for consideration.

Discussion

TMWA received two applications for the two vacant positions:

- At-Large – One (1) Vacancy; 1 Applicant
- Irrigation Alternate – One (1) Vacancy; 1 Applicant

The applications submitted are compiled in Attachment 2. In addition, Attachment 3 is a map showing locations of all current SAC members, as well as all applicants.

Staff is pleased to have such skilled and diverse applicants express interest in representing customer issues to the TMWA Board as part of the SAC.

TMWA Standing Advisory Committee
Term Appointments
2019 Membership List

Customer Class	Primary Representative	Member Since	Term Ends	Alternate Representative	Member Since	Term Ends
Wholesale (Sun Valley)	Fred Schmidt	2005	12/31/2019	N/A		
Irrigation	Neil McGuire	2005	12/31/2020	Vacant		
Multi-family Residential	Mike Schulewitch	2013	12/31/2020	Jonnie Pullman	2012	12/31/2019
Commercial	Donald Kowitz	2017	12/31/2020	Bruce Gescheider	2009	12/31/2019
Senior Citizen	Robert Chambers	2005	12/31/2020	Karl Katt	2013	12/31/2020
At-Large 1	Ken McNeil	2013	12/31/2020	Ken Becker	2017	12/31/2020
At-Large 2	Jordan Hastings	2017	12/31/2020	Vacant		
Residential:						
Representative 1	Carol Litster	2014	12/31/2020	Dale Sanderson	2017	12/31/2020
Representative 2	Harry Culbert	2006	12/31/2020	Fred Arndt	2017	12/31/2020
Representative 3	Jerry Wager	2014	12/31/2020	Scot Munns	2017	12/31/2020
Appointments:						
BANN	Colin Hayes	2010	12/31/2019	Jim Smith	2010	12/31/2019
Reno-Sparks Chamber	Ann Silver	2019	12/31/2019	Bill Hughes	2016	12/31/2019

Submitted January 10, 2019

Dear Sonia,

Here is the certifications that you requested for the position of Irrigation Alternate for the SAC Committee:

1. Water Management and Landscape Irrigation Auditor Class by the Irrigation Training and Research Center, Cal Poly, San Luis Obispo - 4/4/03, recognized by the Regional Water Planning Commission and TMWA
2. Certified Landscape Irrigation Auditor by the Irrigation Association -- 3/18/05, with the California-Nevada Section of American Water Works Association
3. Water Distribution Operator Grade D1 by the Division of Environmental Protection Bureau of Safe Drinking Water -- 10/5/06
4. Water Distribution Operator Grade D2 by the Division of Environmental Protection Bureau of Safe Drinking Water --4/16/07
5. Conservation Practitioner Grade 1 by the American Water Works Association, California-Nevada Section (Cert #1521) -- 3/30/10

In addition, I am a Board member of the Vistas Homeowners Association, as well as a member of their Architectural Control Committee. If you wish for me to provide you with copies of the certifications listed above, please let me know.

Sincerely,

Karl W. Katt

February 14, 2019

To the Standing Advisory Committee,

I am interested in becoming a member of TMWA's Standing Advisory Committee. I was a member of Ward 1 Neighborhood Advisory Board for 2 years, 2016-2018. I participated in the Reno Citizens Institute Program and learned about how the City of Reno works in 2011.

Water management in the Truckee Meadows is important for our community. I would look forward to learning more about it and suggesting ideas from the perspective of a homeowner and Realtor in our community.

I am a current member of Sierra Sunrise Toastmasters and I am familiar with Robert's Rules.

I would attend each monthly meeting with consistency and enthusiasm. I will prepare for each meeting I attend and participate to the best of my ability at each meeting.

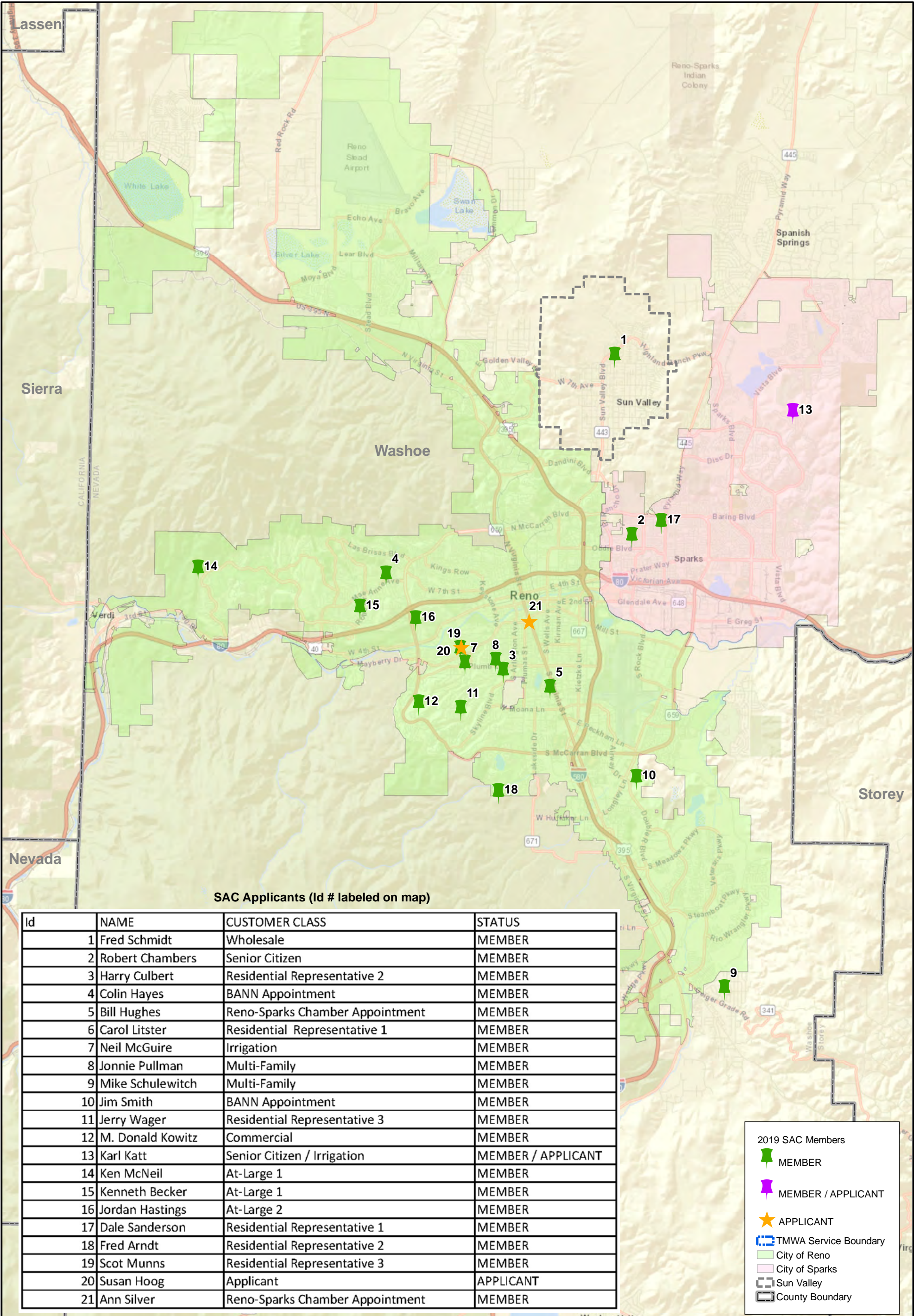
Thank you for your consideration,

Susan Hoog

[REDACTED]

Reno, NV 89509

[REDACTED]



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Distribution of SAC Members & Applicants

DATE 2/27/2019
MAP BY: JAK
REQUESTED BY: SF
SCALE: 1 in = 2 miles

