



STANDING ADVISORY COMMITTEE AGENDA

Tuesday, February 14, 2023 at 3:00 p.m.
Truckee Meadows Water Authority
Independence Room, 1355 Capital Blvd., Reno, NV

NOTES:

1. The announcement of this meeting has been posted at the following locations: Truckee Meadows Water Authority (1355 Capital Blvd., 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 on the TMWA website at <http://www.tmwa.com/meeting/> or you can contact Sonia Folsom at (775) 834-8002. 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. Election of Chair and Vice Chair for 2023 — Lucas Foletta (**For Possible Action**)
5. Approval of the minutes of October 4, 2022 meeting (**For Possible Action**)
6. Water Supply Update — Bill Hauck*
7. Presentation on the Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022 — Matt Bowman and Sophie Cardinal*
8. Presentation of TMWA's 2022 Popular Annual Financial Report (PAFR) — Matt Bowman*

9. Consideration and possible recommendation to the TMWA Board of Directors for the first budget augmentation and budget revisions for FY 2023 — Matt Bowman (**For Possible Action**)
10. Presentation of Fiscal Year 2023 Q2 Year-to-Date Financial Results — Matt Bowman*
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

October 4, 2022

The Standing Advisory Committee (SAC) met at TMWA, 1355 Capital Blvd, Reno, NV. Chair McGuire called the meeting to order at 3:01 p.m.

1. ROLL CALL

Primary Members and Voting Alternates Present: Fred Arndt, Don Kowitz, Carol Litster, Neil McGuire, Ken McNeil, Chris Melton, Jim Smith, Alex Talmant and Jerry Wager.

Alternates Present: *Ken Becker, Karl Katt, **John Krmpotic, and Dale Sanderson.

Primary Members and Alternates Absent: Kristine Brown-Caliger, Robert Chambers, Jordan Hastings, Colin Hayes, Jonnie Pullman, Kevin Ryan, and Ann Silver.

**Member Becker arrived at 3:32 p.m.*

***Member Krmpotic arrived at 3:07 p.m. and left at 4.25 p.m.*

Staff Present: Matt Bowman, John Enloe, Robert Charpentier, Sonia Folsom, Mark Foree, Andy Gebhardt, Bill Hauck, Shawn Stoddard, John Zimmerman, and Legal Counsel Lucas Foletta (McDonald Carano).

2. PUBLIC COMMENT

There was no public comment.

3. APPROVAL OF THE AGENDA

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

4. APPROVAL OF THE MINUTES OF THE JUNE 7, 2022 MEETING

Upon motion duly made by Member Melton and seconded by Member Arndt, and carried by unanimous consent of the members present, the Committee approved the amended June 7, 2022 meeting minutes.

5. WATER SUPPLY UPDATE

Bill Hauck, TMWA Water Supply Supervisor, presented an update on the water supply in the region: it was the Truckee Meadows third drought year in a row, however overall water supply outlook is positive, expect normal river flows through the end of the month and no drought reserves were required to meet customer demands through the peak season, TMWA's upstream reserve reservoir storage has more water stored than ever before at 66,000 acre feet (AF), Lake Tahoe elevation will fall below the rim in the coming weeks, and the reservoirs will have little to no carry-over storage upstream to meet Floriston Rates, so river flows next summer will be dependent on this winter's snowpack. In response to an email request by Member Brown-Caliger, Mr. Hauck also described TMWA's current Water Resource Plan and how TMWA plans and prepares for meeting the water demand of future growth in the Truckee Meadows.

Member Wager inquired about the projection of advanced purified water over the next 10-20 years. John Enloe, TMWA Director of Natural Resources, replied the current projection is about 2,000 AF but on a much shorter timeframe, with the possibility of expanding to 3-4,000 AF.

Member McNeil asked if there would be an issue with transporting water to the new development up north. Mr. Enloe replied the North Valleys has quite a bit of supply and infrastructure in place already.

Chair McGuire addressed the smart meters project and informed staff that he received a call from a customer about a major leak and no one from TMWA contacted them. Andy Gebhardt, TMWA Director of Distribution, replied not all customers are on a smart meter yet, but staff can see high usage at time of bill generation and for Chair McGuire to send him the customer information so he can contact them.

6. PRESENTATION OF PRELIMINARY FISCAL YEAR 2022 UNAUDITED FINANCIAL PERFORMANCE

Matt Bowman, TMWA Chief Financial Officer, informed the Board that water sales were very close to budget, (\$500k, or 1%, under budget); started to see impacts from inflation, most notably, in power charges; interest rates are increasing, which impacts TMWA's investment return, but not debt which is at a fixed rate; continued to see high levels of connection fee contributions from developers; had a \$9m positive change in net position; and operating expenses were \$6.6m under budget.

7. PRESENTATION OF PRELIMINARY FUNDING PLAN FOR FISCAL YEARS 2023 THROUGH 2027, DISCUSSION AND POSSIBLE RECOMMENDATION TO THE BOARD

Mr. Bowman presented the preliminary funding plan for fiscal years 2023-2027 and requested the Committee to recommend to the Board approval of staff recommendation to accept the funding plan as presented: authorize the previously approved 2.5% rate increase to be implemented in June 2023, increases to revenue requirement due to inflation and staff increases, project a slow down in connection fees beginning FY 2024, and to anticipate consideration of future rate increases which will be presented next year for fiscal years 2024-2028.

Member McNeil inquired if the cash received from connection fees was restricted and what did inflation impact. Mr. Bowman replied no, but it is a function of capital to serve growth and inflation increased electric power and chemicals by 2% and everything else about 1%.

Chair McGuire asked when the purchase power agreement with NV Energy expired. Mr. Bowman replied 2029, but staff would like to negotiate a new agreement sooner.

Member Wager asked if TMWA's bond rating could be affected by the funding gap. Mr. Bowman replied not directly, but that rating agencies consider cash balance, affordability of rates, and the ability to implement small rate increases.

At this time Committee Members discussed their support for a policy of implementing automatic annual rate increases to keep up with increased costs, subject to annual review by the SAC and TMWA Board and conducting public outreach. Lucas Foletta, TMWA General Counsel, suggested the Committee motion to approve the funding plan as recommended with the comments for Board consideration.

Upon motion duly made by Member Wager and seconded by Member Kowitz, and carried by unanimous consent of the members present, the Committee approved staff recommendation to the Board regarding the preliminary funding plan for fiscal years 2023 – 2027 including comments recommending for a range of small, annual increases to go into effect in FY2024 after the next funding plan is presented.

8. UPDATE ON SOUTHERN NEVADA NON-FUNCTIONAL TURF REMOVAL PROGRAM

Mr. Gebhardt informed the Committee that northern and southern Nevada have quite different river systems and the turf removal program in southern Nevada is customer subsidized, which TMWA does not support, and its purpose is for growth not conservation.

Discussion followed regarding the resale of already sold sod (not allowed), allocation of water to meet customer demands (Rule 7 adjusted to account for new development with smaller lots, and 10% going towards drought supply), reducing water usage will potentially result in increasing customer rates, comparing commercial and industrial usage (different groups, but more efficient).

9. UPDATE ON STANDING ADVISORY COMMITTEE MEMBERSHIP

Sonia Folsom, TMWA Executive Assistant, informed the Committee that all members whose terms were expiring expressed interest in continuing for another two-year term except for Members Kowitz and Litster who expressed appreciation about sitting on the Committee and have declined, and Member Chambers who has not replied. Ms. Folsom said she would reach again prior to the December 8th Board meeting to confirm and will inform the members of the Board decision.

10. PRESENTATION AND POSSIBLE APPROVAL OF 2023 MEETING SCHEDULE

Ms. Folsom presented the 2023 meeting schedule.

Upon motion duly made by Member Arndt and seconded by Member Melton, and carried by unanimous consent of the members present, the Committee approved the 2023 meeting schedule.

11. ELECTION OF CHAIR AND VICE CHAIR FOR 2023

Mr. Foletta presented the item for Committee consideration.

Member McNeil referenced the Committee Governing Rules which states that the Vice Chair will be the next Chair and that it should be a rotated position and inquired if the current Vice Chair was not interested in being Chair.

Member Becker added that two current alternates will have voting privileges at the next meeting.

Chair McGuire suggested tabling this item to the February 7th meeting.

No motion was taken.

12. RECOGNITION OF MARK FOREE FOR HIS YEARS OF SERVICE TO TMWA AS GENERAL MANAGER

Chair McGuire thanked Mr. Foree for his years of service and for allowing them to speak and listen to their questions and comments.

Member McNeil agreed and added it is not easy to make everyone happy, but he did a great job.

Mr. Foree thanked the Committee and stressed how important they are for TMWA especially for rates and financials; they ask particularly good and tough questions of staff, which staff appreciates.

13. DISCUSSION AND POSSIBLE REQUESTS FOR AGENDA ITEMS FOR FUTURE MEETINGS

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

Next meeting:

1. Nomination of Chair and Vice Chair for 2023
2. Water Supply Update
3. Presentation of FY2022 Annual Comprehensive Financial Report (ACFR)
4. Presentation of first quarter FY 2023 financial report

14. STAFF ITEMS

There were no staff items.

15. COMMITTEE ITEMS

There were no committee items.

16. PUBLIC COMMENT

There was no public comment

17. ADJOURNMENT

With no further items for discussion, Chair McGuire adjourned the meeting at 4:34 p.m.

Approved by the Standing Advisory Committee in session on _____.

Sonia Folsom, Recording Clerk

**Member Becker was present for agenda items 6 thru 17 only.*

***Member Krmpotic was present for agenda items 5 thru 12 only.*

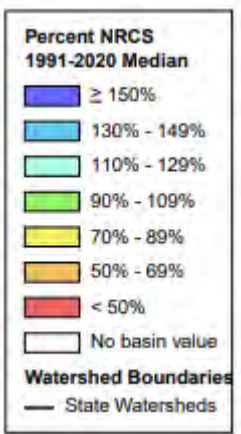
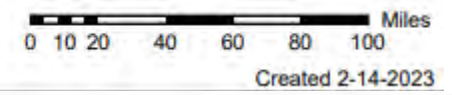
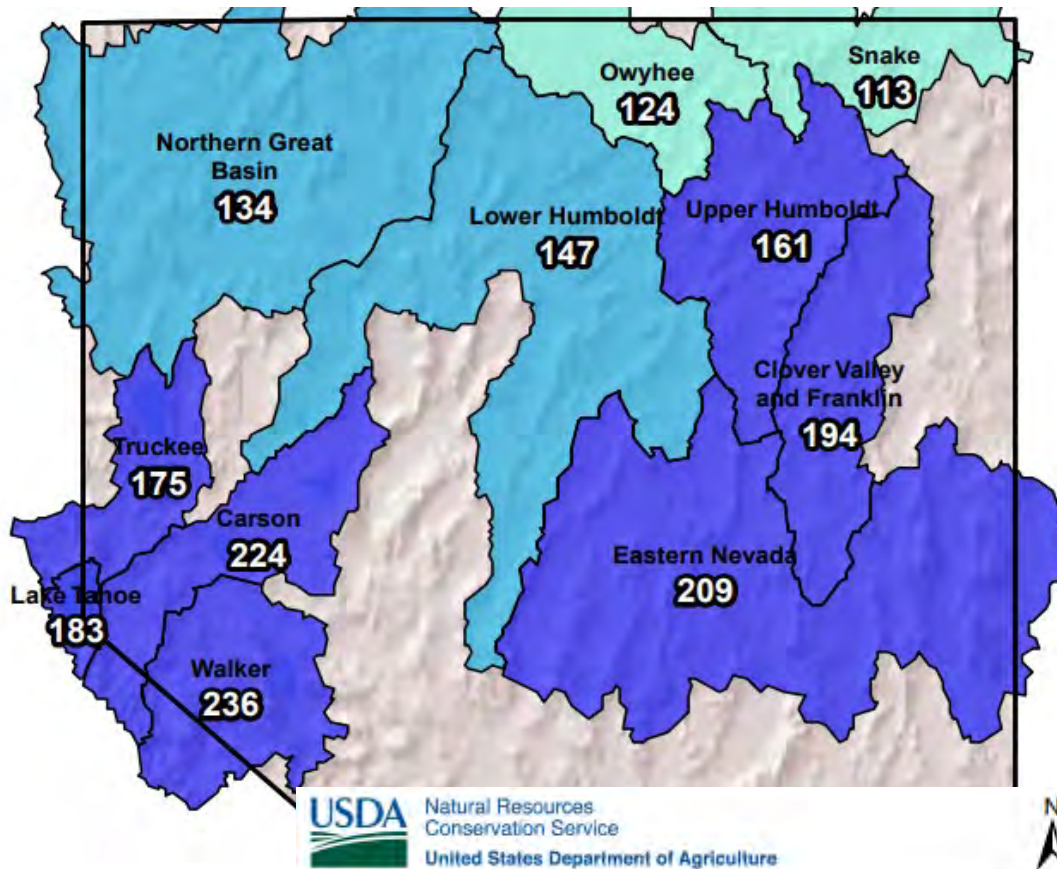


Water Supply Update

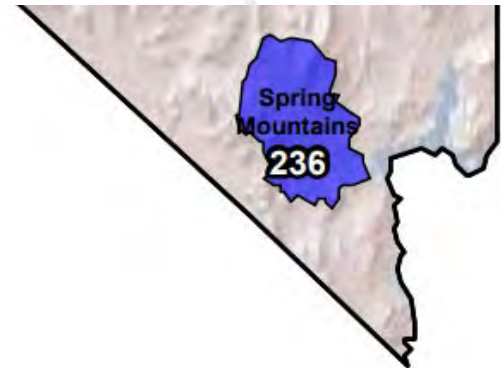
Standing Advisory Committee Meeting

February 14, 2023





| | | |
|-------------------------------|------------------------------------|---------------------------------|
| Snow Water Equivalent | NEVADA & EASTERN SIERRA | February 14, 2023, first of day |
| Percent NRCS 1991-2020 Median | | |



Lake Tahoe Basin Snowpack Comparison

02-14-23 SAC Agenda Item 6



February 01, 2023 NRCS Final Streamflow Forecast

- Lake Tahoe Gates Closed Rise (GCR)

3.2' (276% Avg.) 05% COE (Apr-High)

2.1' (181% Avg.) 50% COE (Apr-High)

1.0' (86% Avg.) 95% COE (Apr-High)

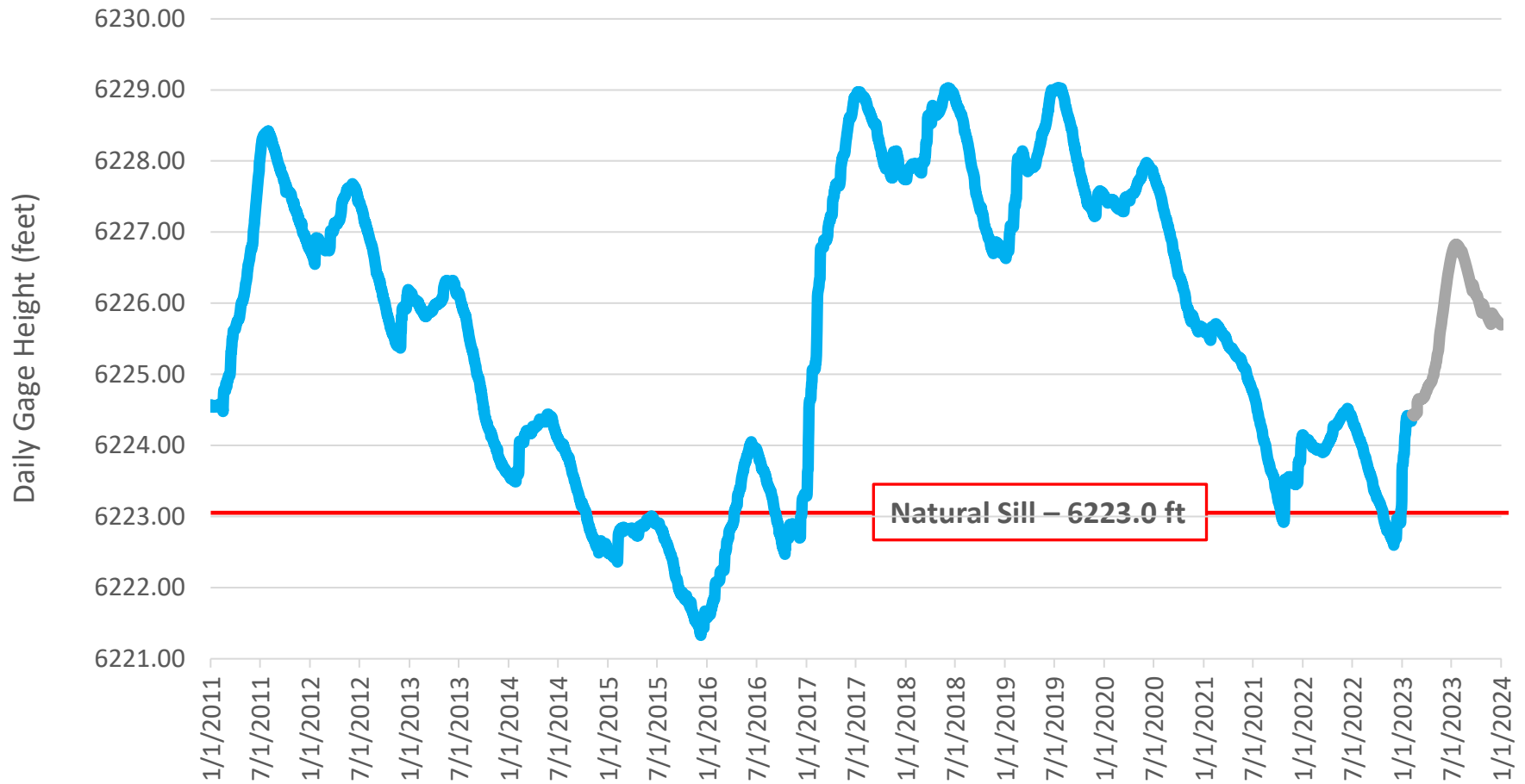
- Truckee River at Farad, CA (A-J)

565 KAF (251% Avg.) 05% COE (Apr-Jul)

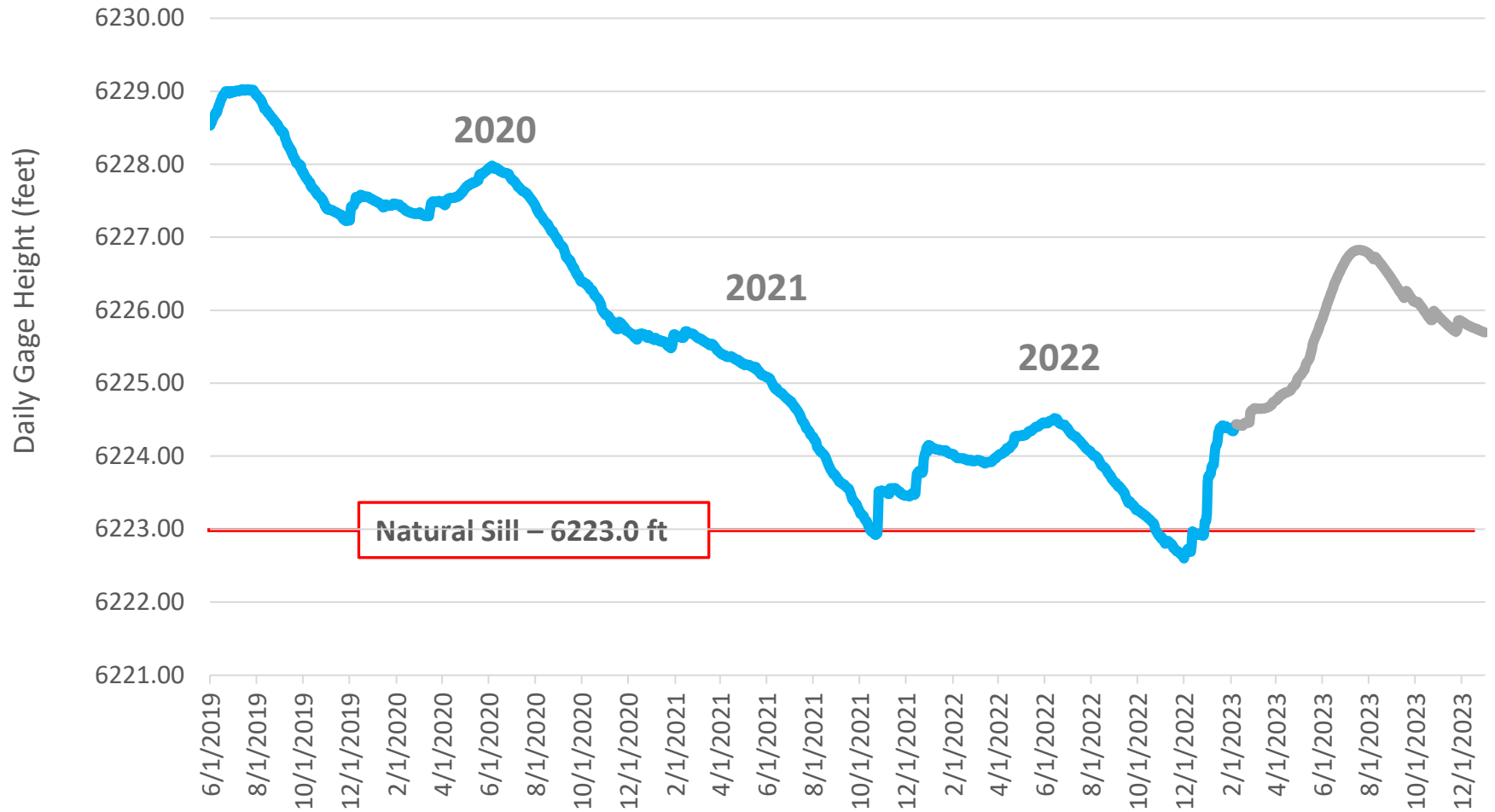
400 KAF (178% Avg.) 50% COE (Apr-Jul)

270 KAF (120% Avg.) 95% COE (Apr-Jul)

Actual and Projected Lake Tahoe Elevation through 2023



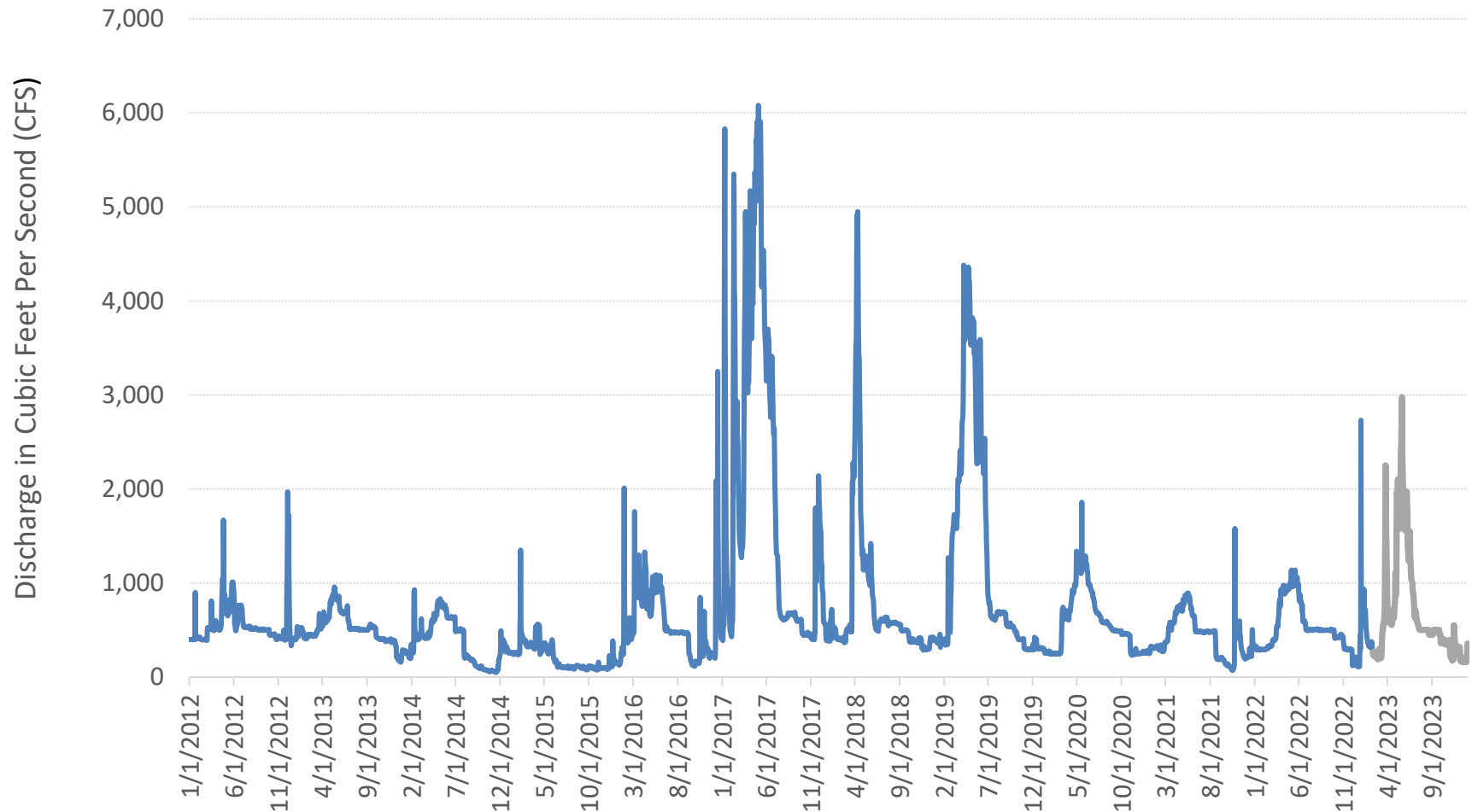
Actual and Projected Lake Tahoe Elevation through 2023



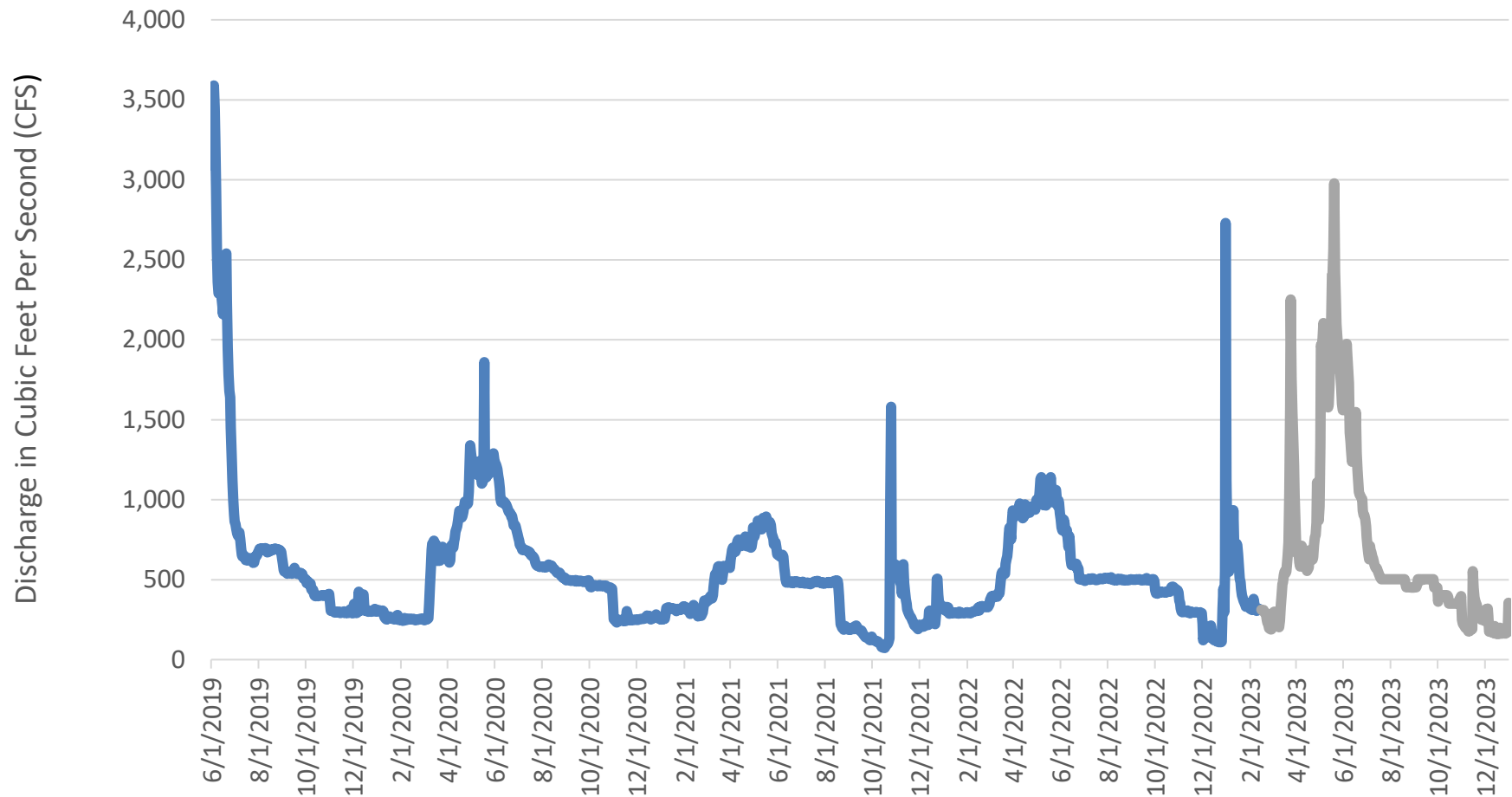
Truckee River System



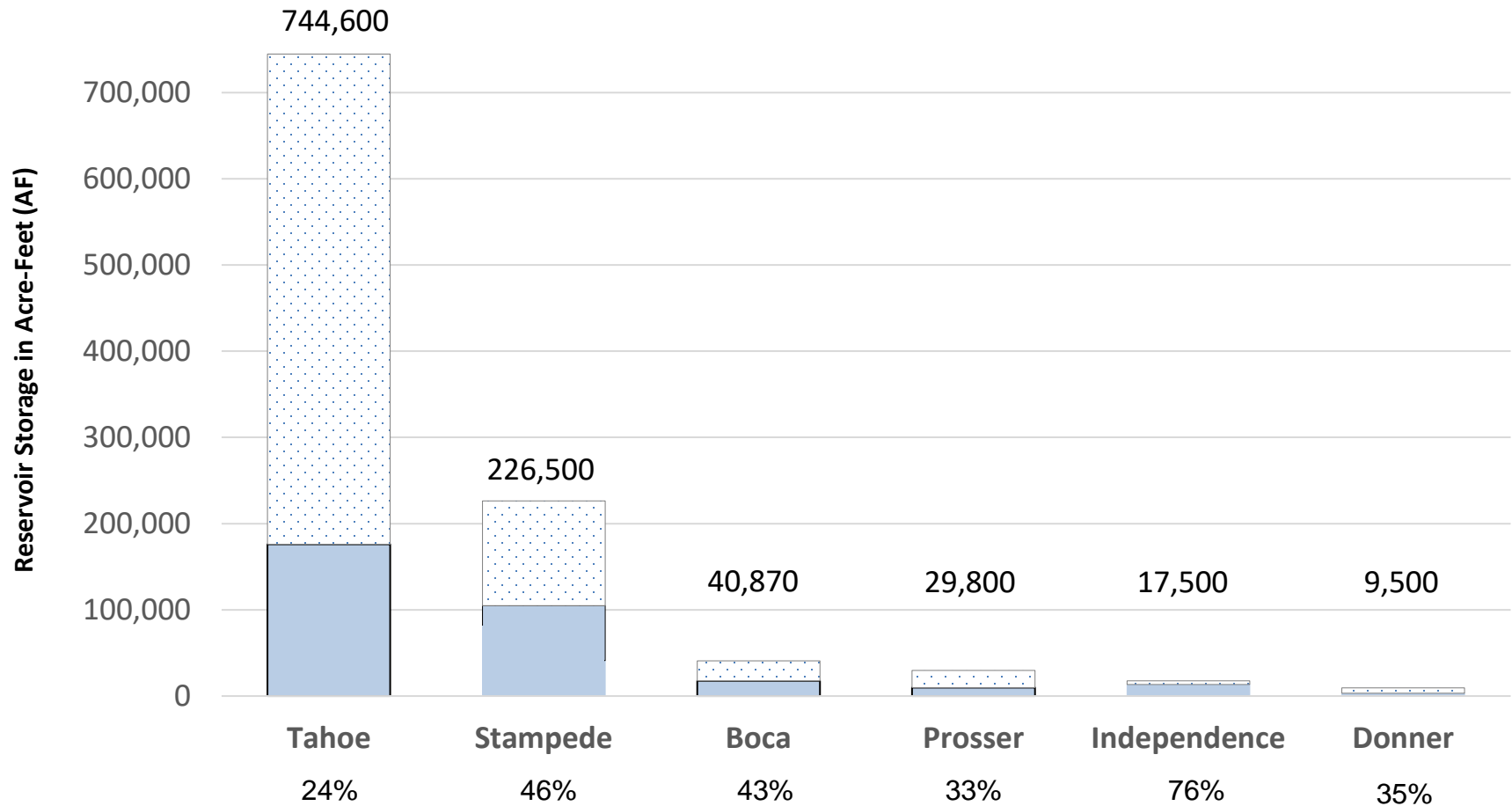
Actual and Projected Flow through 2023 @ CA/NV State Line



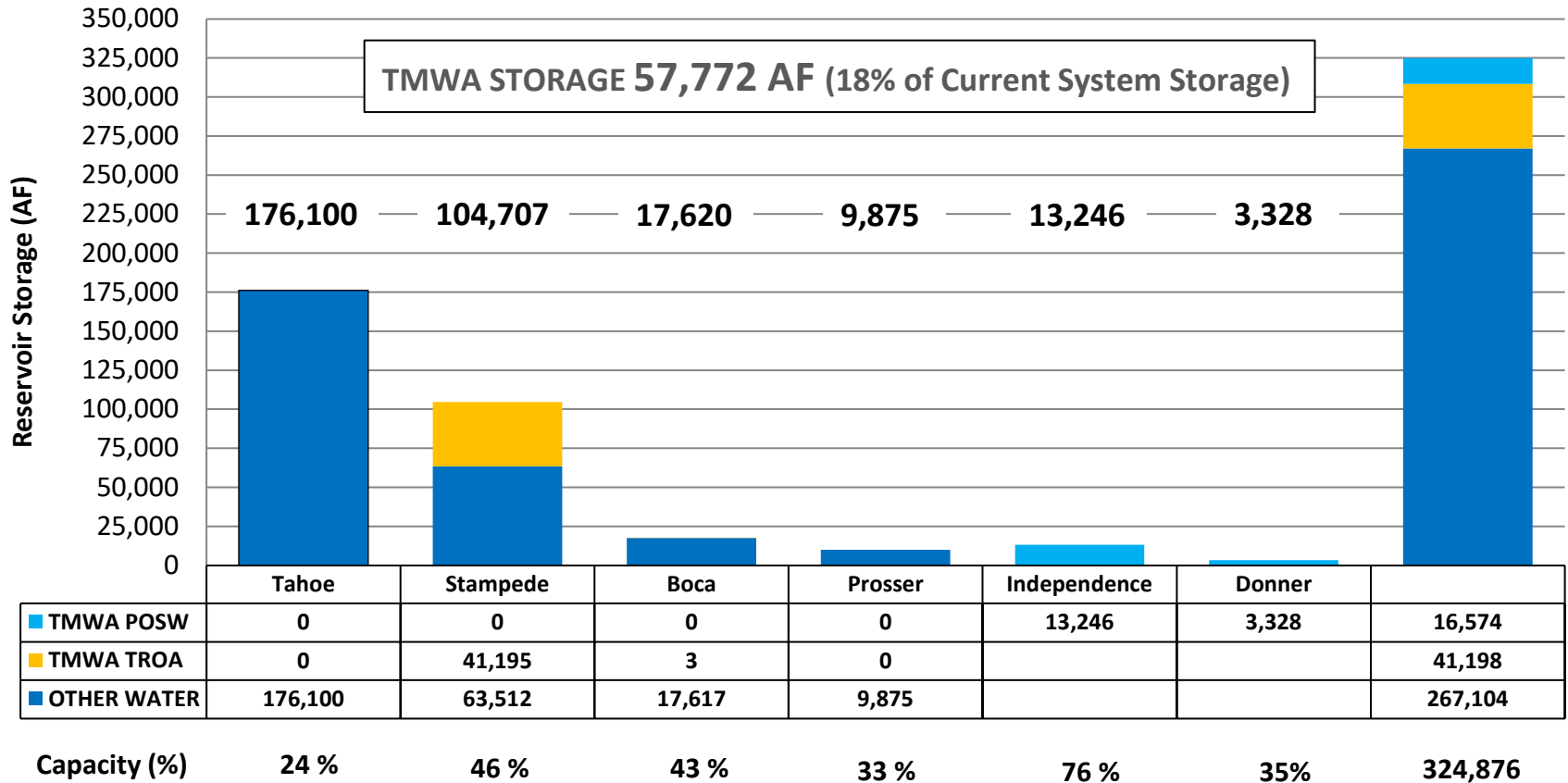
Actual and Projected Flow through 2023 @ CA/NV State Line



Truckee River System Storage (14Feb2023)



TMWA System Storage (14Feb2023)



MAX SYSTEM CAPACITY 1,068,270 AF

CURRENT STORAGE 324,876 (30% Capacity)

14.Feb 2023 09:50:21



Key Points

- Chances are very good for finishing with an above average snowpack year
- Snowpack ~180% of normal in both Tahoe and Truckee basins
- Looking like a very good streamflow runoff year as well (~180% normal)
- Elevation of Tahoe has already increased ~1.75 feet since 12/1/22 low
- Projected to rise another 2 feet plus by July
- All upstream reservoirs expected to make a significant if not full recovery
- Normal river flows projected for remainder of 2023 and into 2024
- TMWA's upstream reserve reservoir storage is still in excellent shape (~58KAF)
- It is looking like this winter is going to end up being just what we needed to overcome the effect of three straight drought years, and the deficit that's had on upstream reservoir storage

Thank you!

Questions?

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



To: TMWA Board of Directors
Thru: John R. Zimmerman, General Manager
From: Matt Bowman, Chief Financial Officer
Sophie Cardinal, Financial Controller
Date: December 28, 2022
Subject: **Discussion and action on adoption of Resolution No. 313: A resolution to approve the Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022**

Recommendation

TMWA staff will present the Annual Comprehensive Financial Report (ACFR) to the Board for the fiscal year ended June 30, 2022 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, TMWA is required to conclude an audit before November 30, 2022, and submit the audit report to the Nevada Department of Taxation (NDT) no later than six months after the close of the fiscal year for which the audit is conducted. This year, TMWA received an extension to submit its audit report to the NDT by January 31, 2023.

The ACFR for the fiscal year ended June 30, 2022, 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 Statements of Net Position (Balance Sheets) for June 30, 2022 and June 30, 2021, related Statements of Revenues, Expenses and Changes in Net Position (Income Statements), Statements of Cash Flows, and statements for TMWA's Other Post-Employment Benefit fiduciary funds.

Audit Results

Of particular importance to TMWA is the auditor's opinion that the financial statements were presented fairly, in all material respects, in accordance with *Generally Accepted Accounting Principles (GAAP)* and Nevada Revised Statutes for the year ended June 30, 2022. Furthermore, the auditor opined that TMWA complied with all requirements that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. In planning and performing the financial statement audit, however, the auditors identified a significant deficiency in TMWA's internal controls over compliance. The significant deficiency was related to a change in presentation of cash and cash equivalents in the Statement of Cash

Flows. Additional information on this finding is provided in Note 14 to the financial statements as well as the auditors' Schedule of Findings and Questioned Costs for the year ended June 30, 2022.

In the FY 2022 ACFR, TMWA implemented GASB Statement No. 87 which establishes a single model for lease accounting based on the foundational principle that a lease is a financing of the right to use an underlying asset. TMWA recorded four leases as a lessor and therefore reported lease receivables and deferred inflows of resources.

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 2021.

TMWA experienced a solid financial year with a change in net position of \$46.1 million. Net cash flow reflected a decrease of \$3.1 million. Cash balance at the end of the year was \$15.9 million.

TMWA ended the year with a senior lien debt service coverage ratio of 1.83x compared to 1.90x for FY 2021.

Fiscal Year 2022 Actual to Budget comparison

Operating revenue of \$114.6 million were \$2.0 million or 1.8% above the final budget for fiscal year ended June 30, 2022. Charges for water sales were \$108.2 million or 0.3% lower than budget. TMWA's water sales can fluctuate from budget based on weather conditions, especially during the spring and fall. During the first part of the fiscal year, hot and dry weather led to increased water consumption as customers were irrigating more than usual. However, a cooler spring led to lower water consumption in the second half of the fiscal year, ultimately leading to slightly lower than average water consumption during the year.

Operating expenses of \$98.6 million were approximately \$6.1 million under the budget of \$104.7 million. Operating expenses before depreciation were \$5.5 million under budget or approximately 7.8% lower. Salaries and wages and employee benefits were both lower by \$1.9 million and \$4.2 million or 7.1% and 35.8% respectively. Salaries and wages were lower due to position vacancies and increased labor charged to capital projects. Employee benefits were lower due to positive adjustments to net pension and OPEB liabilities due to positive investment performance during calendar year 2021. Service and supplies expenses were \$0.6 million over budget, a variance of 1.8%. The primary driver for the budget variance was electric power costs which were increased during the year by NV Energy, TMWA's electric power provider, through quarterly base tariff increases. These increases were due to the cost of power purchased by NV Energy during the fiscal year.

Net nonoperating revenue and expenses were \$11.3 million unfavorable to budget. This variance was primarily due to lower investment earnings, specifically a loss on the change in fair value of investments. This was caused by changing invested interest rates during the year and is not realized until the related investment matures or is sold.

Capital contributions of \$51.6 million were \$11.7 million above budget. This was mostly driven by developer facility charges. Developer facility charges include supply, treatment and storage charges. Both the volume of projects and higher dollar projects are continuing in the Truckee Meadows which has led to increased levels of developer payments. All other developer related cash contributions were also higher than budget, reflecting increased growth in the service territory.

Total capital spending was approximately \$40.8 million for fiscal year 2022, which was approximately \$19.3 million less than the \$60.1 million planned in the final capital budget. The underspend is due to various projects having been deferred to future years.

TMWA funded the operating budget, debt service requirements and capital spending from operating revenues, capital contributions and investment income. As of June 30, 2022, TMWA has approximately \$169.2 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2022 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 \$11.7 million as of June 30, 2022. As of June 30, 2022, TMWA retained a \$10.4 million water rate stabilization reserve of which \$0.5 million is restricted and \$9.9 million is included as a reservation of unrestricted net position.

Fiscal Year 2022 Actual to Prior Year Comparison

Operating revenue decreased \$0.8 million from fiscal year 2021. Water Sales were \$108.2 million, \$1.6 million or 1.5% lower than in fiscal year 2021. Water sales were lower year over year due to lower consumption offset by two 2.5% rate increases in June 2021 and 2022. Hydroelectric Sales were \$0.2 million or 7.1% lower than fiscal year 2021 due to low river flows in the late summer months of fiscal year 2022, which forced the plants to be taken offline. Other operating revenue was \$1.0 million or 35.7% higher than the prior year due to higher revenues from construction water, new business engineering fees and late fees.

Operating expenses \$98.6 million, \$0.4 million or 0.4% higher than fiscal year 2021. Spending on salaries and wages was \$1.6 million or 6.9% higher, due to wage increases and increases in headcount. Employee benefits were \$3.8 million or 33.6% lower than prior year due mainly to lower pension expense related to Nevada PERS. Spending on services and supplies was \$2.3 million or 7.5% more than prior year primarily due to inflation and increased costs in power, security, meter replacements, and vehicle fuel costs.

Net nonoperating revenue and expenses were worse than prior year by \$7.4 million or 52%. This variance is primarily due to decreased investment earnings from lower invested rates and a decrease in the fair value of investments from a \$10.6 million unrealized investment loss. In fiscal year 2021, TMWA had an unrealized investment loss of only \$2.4 million.

Capital contributions increased by \$10.2 million. The main driver of the increase is developer infrastructure contributions which were \$8.0 million greater than 2021. These contributions are

infrastructure built by developers to TMWA's specifications and then dedicated to TMWA. They can vary from year to year depending on activity and the timing of project closeouts. Grants were also \$2.2 million higher than 2021 primarily from the grant award TMWA received to repair the Glendale diversion, which was damaged in the 2017 flood event.



December 28, 2022

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 year ended June 30, 2022, and have issued our report thereon dated December 28, 2022. Professional standards require that we advise you of the following matters relating to our audit.

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

As communicated in our letter dated October 7, 2022 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 and to express an opinion on whether TMWA complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of TMWA major federal programs. Our audit of the financial statements and major program compliance 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.

Our responsibility, as prescribed by professional standards as it relates to the audit of TMWA major federal program compliance, is to express an opinion on the compliance for the TMWA major federal program based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the TMWA's internal control over compliance.

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.

We have provided our comments regarding internal controls during our audit in our 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* dated December 28, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated December 28, 2022.

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.

Significant Risks Identified

As stated in our auditor's report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as "significant risks". We have identified the following as significant risks.

- Management Override of Controls – Professional standards require auditors to address the possibility of management overriding controls. Accordingly, we identified as a significant risk that management may have the ability to override controls that the entity has implemented through policies and procedures.
- Improper Revenue Recognition – Professional standards include a presumptive risk of revenue recognition. Accordingly, we identified revenue recognition related to certain revenues, primarily related to charges for services, as a significant risk to address the possibility that revenue is not recorded appropriately.
- Significant Estimates: Allocation of Indirect Administrative Costs to Capital Assets, Valuation of Developer Dedicated Infrastructure and Other Donated Capital Assets, Delivered but Unbilled Water Sales Revenue, Public Employee Retirement System (PERS), and Other Post-employment Benefit (OPEB) Related Amounts – The allocation of indirect administrative costs to capital assets, valuation of developer dedicated infrastructure and other donated capital assets, delivered but unbilled water sales revenue, PERS, and OPEB related amounts are subject to significant estimation and allocation to the entity and have complex disclosures and financial reporting. Accordingly, we have identified the significant estimates of the allocation of indirect administrative costs to capital assets, valuation of developer dedicated infrastructure and other donated capital assets, delivered but unbilled water sales revenue, PERS, and OPEB related amounts as significant risks.

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. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. 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 and determined that it is 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:

- Obligations for OPEB and pensions

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. 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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.

Disagreements with Management

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

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We added an emphasis of matter paragraph to our Independent Auditor's Report for:

Adoption of New Accounting Standard

As discussed in Note 14 to the financial statements, TMWA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2021. Accordingly, a restatement has been made to the net position as of July 1, 2020, to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 14 to the financial statements, TMWA determined there were errors in amounts previously reported on the Statement of Cash Flows of the proprietary fund. The beginning balance of cash and cash equivalents as of July 1, 2020 was restated to correct the errors. Our opinions are not modified with respect to these matters.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December 28, 2022.

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, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as TMWA's auditors.

Other Matters

The basic financial statements include the financial statements of TMWA, Truckee Meadows Water Authority OPEB Trust Fund and Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust, fiduciary component units of TMWA, which we considered to be significant components of the basic financial statements. Consistent with the audit of the basic financial statements as a whole, our audits included obtaining an understanding of TMWA, Truckee Meadows Water Authority OPEB Trust Fund and Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust and their environment, including internal control, sufficient to assess the risks of material misstatement of the basic financial statements of TMWA, Truckee Meadows Water Authority OPEB Trust Fund and the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust and completion of further audit procedures.

This report is intended solely for the information and use of the 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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Years Ended June 30, 2022 and 2021

PREPARED BY: Matt Bowman, CPA
Chief Financial Officer

INTRODUCTORY SECTION

| | |
|--|---------------------------|
| Letter of Transmittal | <u>1</u> |
| List of Principal Officials | <u>12</u> |
| Certificate of Achievement for Excellence in Financial Reporting | <u>13</u> |
| Organizational Chart | <u>14</u> |

FINANCIAL SECTION

| | |
|---|---------------------------|
| Independent Auditor's Report | <u>15</u> |
| Management's Discussion and Analysis | <u>19</u> |
| Basic Financial Statements | |
| Statements of Net Position | <u>31</u> |
| Statements of Revenues, Expenses, and Changes in Net Position | <u>33</u> |
| Statements of Cash Flows | <u>34</u> |
| Statements of Fiduciary Net Position | <u>36</u> |
| Statements of Changes in Fiduciary Net Position | <u>37</u> |
| Notes to Financial Statements | <u>38</u> |
| Required Supplementary Information | |
| Schedules of Changes in Net OPEB Liability and Related Ratios | <u>73</u> |
| Schedules of OPEB Contributions | <u>75</u> |
| Schedules of TMWA's Share of Net Pension Liability | <u>77</u> |
| Schedules of TMWA's Pension Contributions | <u>79</u> |
| Supplementary Information | |
| Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual | <u>81</u> |
| Combining Statement of Fiduciary Net Position | <u>83</u> |
| Combining Statement of Changes in Fiduciary Net Position | <u>84</u> |

STATISTICAL SECTION

| | |
|---|----------------------------|
| Schedule No. 1 - Net Position by Component | <u>87</u> |
| Schedule No. 2 - Changes in Net Position | <u>88</u> |
| Schedule No. 3 - Operating Revenues by Customer Class | <u>89</u> |
| Schedule No. 4 - Operating Expenses | <u>90</u> |
| Schedule No. 5 - Nonoperating Revenues and Expenses | <u>91</u> |
| Schedule No. 6 - Capital Contributions by Source | <u>92</u> |
| Schedule No. 7 - Gallons of Water Sold and Revenues by Category | <u>93</u> |
| Schedule No. 8 - Ten Largest Customers | <u>94</u> |
| Schedule No. 9 - Debt Service Coverage Ratios | <u>95</u> |
| Schedule No. 10 - Schedule of Total Building Permits Issued by Jurisdiction/Member Entity | <u>96</u> |
| Schedule No. 11 - Selected Demographic and Economic Statistics for Washoe County | <u>97</u> |
| Schedule No. 12 - Principal Employers | <u>98</u> |
| Schedule No. 13 - Customer and Water Sales by Category | <u>99</u> |
| Schedule No. 14 - Schedule of Insurance Coverage | <u>101</u> |
| Schedule No. 15 - Authorized Full-Time Equivalent Employees by Department | <u>102</u> |
| Schedule No. 16 - Current and Historical Water Rates | <u>103</u> |
| Schedule No. 17 - Selected Operating and Capital Indicators | <u>104</u> |
| Schedule No. 18 - Schedule of Changes in Debt | <u>105</u> |
| Schedule No. 19 - Debt by Service Connection | <u>106</u> |

COMPLIANCE SECTION

| | |
|---|----------------------------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | <u>108</u> |
|---|----------------------------|

Truckee Meadows Water Authority

Table of Contents
June 30, 2022 and 2021

| | |
|--|---------------------|
| Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 110 |
| Auditor's Comments | 113 |
| Schedule of Expenditures of Federal Awards | 114 |
| Notes to Schedule of Expenditures of Federal Awards | 115 |
| Schedule of Findings and Questioned Costs | 116 |



December 28, 2022,

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

We are pleased to submit the Annual Comprehensive Financial Report (Annual Report) for the Truckee Meadows Water Authority (TMWA) for the fiscal year ended June 30, 2022. The purpose of the report is to provide the Board of Directors (Board), our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the Annual Report in accordance with Generally Accepted Accounting Principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this Annual Report, 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 audit TMWA's financial statements on an annual basis. Eide Bailly LLP, a firm of licensed certified public accountants, has audited TMWA's basic financial statements as of and for the fiscal years ended June 30, 2022 and 2021. 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 Annual Report 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 presented annually and including 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 Budget and Finance Act.

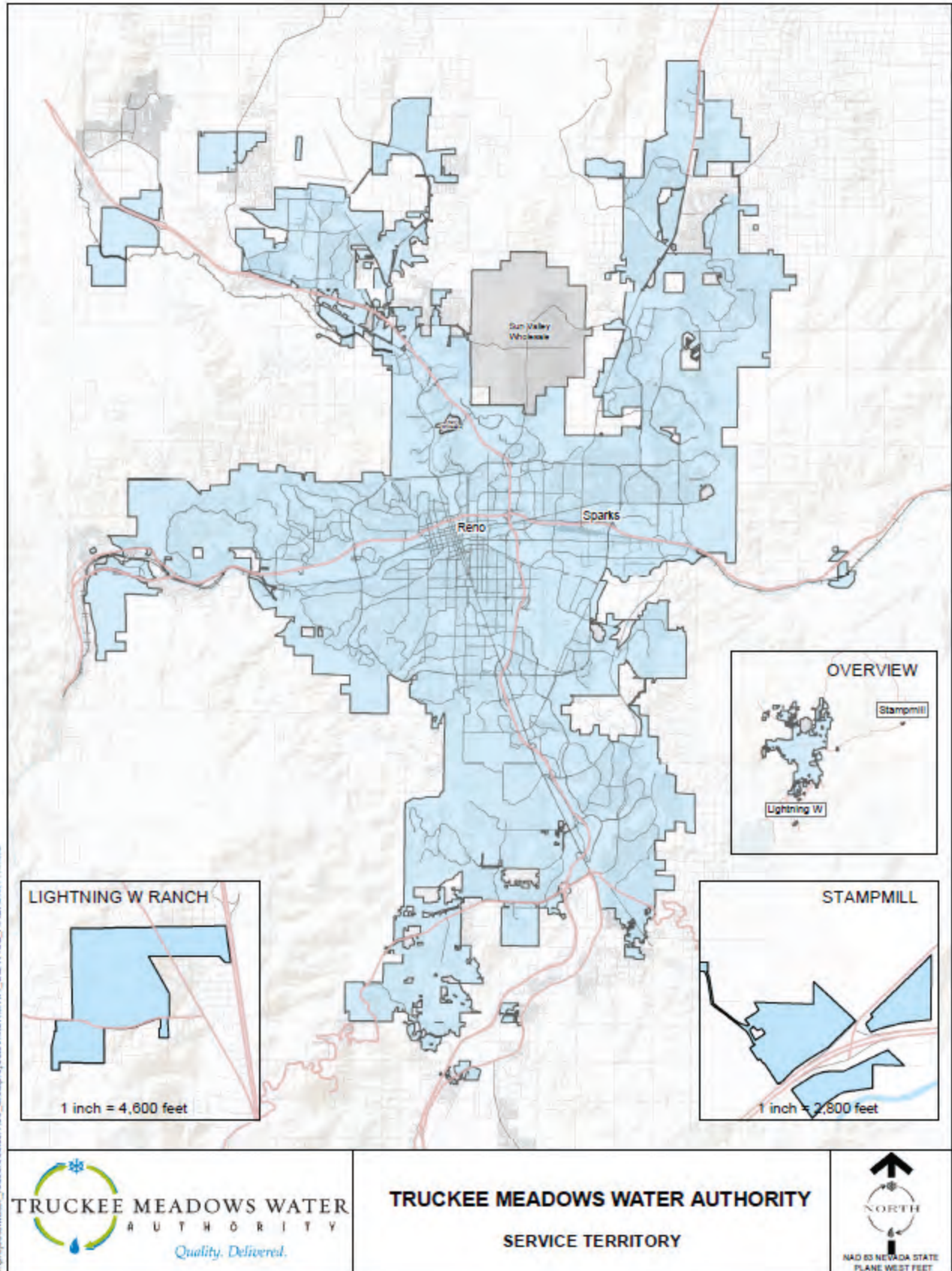
REPORTING ENTITY

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 member agencies and 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, 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.

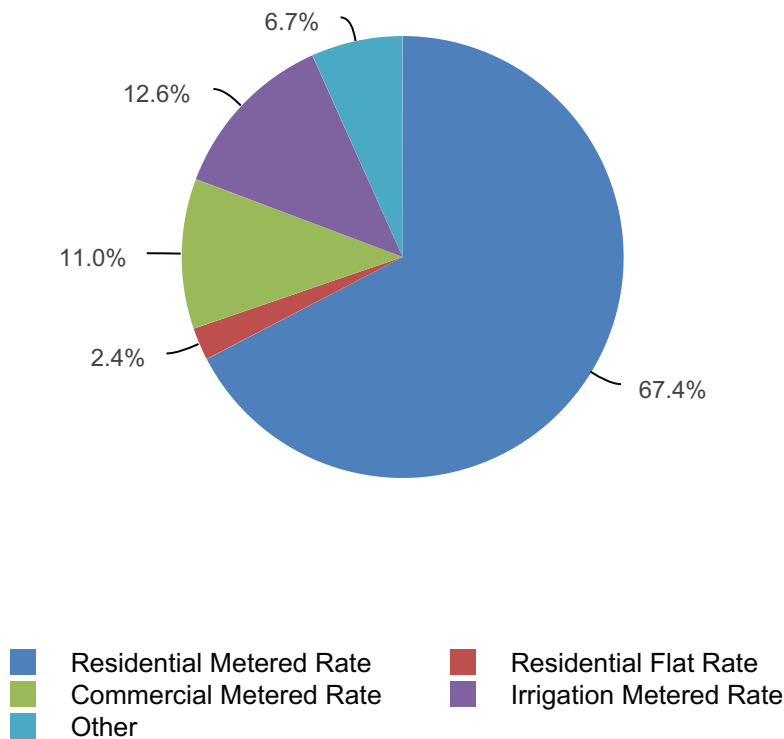
TMWA has over 130,000 service connections and two wholesale customers. TMWA operates within the Truckee Meadows Service Area. TMWA has only one significant wholesale customer, the Sun Valley General Improvement District (SVGID) located north of the Reno-Sparks main metropolitan area. SVGID is wholly 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 map on the following page reflects the TMWA service territory.



The following graph depicts the proportion of operating revenues by class for fiscal year 2022:

TMWA Operating Revenues \$114.6 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. These are problematic and relatively expensive services to convert to meters with multiple customers on a single service line.

The Board adopted a goal in August 2003 of maintaining a senior lien debt coverage ratio of at least 1.5 times recurring revenues less operating expenses divided by annual senior lien debt service. This calculation excludes developer facility charges and other fees associated with new development. This 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 debt coverage was approximately 1.83x and with certain developer fees and charges was approximately 2.70x as of June 30, 2022.

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 a population of approximately 353,000 in 2001, Washoe County's population has grown nearly 40% to over 493,000 in 2021.

Reflecting a diverse and strong regional economy, taxable sales in Washoe County continued to grow in fiscal year 2022 with an increase of 11% from the prior year. Prior to fiscal year 2022, Washoe County experienced taxable sales increases of 19% and 5% in fiscal years 2021 and 2020, respectively. Despite a brief commercial shut-down due to COVID, Washoe County's unemployment rate has remained low and is typically lower than the national unemployment rate. At June 30, 2022, Washoe County's unemployment rate was 3.3% compared to the national unemployment rate of 3.6%.

To ensure appropriate and responsible water resource availability for current and future water demands, TMWA prepares and frequently updates a detailed Water Resource Plan (WRP). In October 2020, the TMWA Board approved the most recent iteration of the WRP for the years 2020-2040. The WRP was previously updated in fiscal year 2016 and covered years 2016-2035. The WRP addresses current water resources, future water resources and water rights availability, defined drought standards and most recently, impacts of climate change. These analyses performed in the most recent WRP 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.

To complement this water resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2015-2035 was developed and adopted by the TMWA Board in October 2019. For the first time, this WFP included detailed planning for the water systems formerly operated by Washoe County and STMGID that were merged into TMWA on January 1, 2015. The original WFP was adopted by the TMWA Board in December 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 needed in the Capital Improvement Plan to serve growth based upon population and water demand forecasts in the WRP.

Since inception, TMWA has made and will continue to make strategic water rights acquisitions to ensure sufficient inventory of water rights are available to issue will-serve commitments for the foreseeable future. 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 U.S. Department of the Interior. TROA provides 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 Privately Owned Stored Water (POSW) 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. As of June 30, 2022, TMWA had nearly 70,000 acre feet stored in these TMWA owned and federally operated reservoirs.

The winters of 2019/2020, 2020/2021 and 2021/2022 were all below average for precipitation in the Sierra Nevada mountains. As a result, the region is in a Drought Situation as defined by TROA, and conditions in the Truckee Meadows are currently classified as Severe according to the U.S. Drought Monitor. While drought conditions are never ideal, TMWA is well positioned to continue to provide water to its customers, even during the current Drought Situation. This is primarily due to provisions for water management set forth by TROA. During a drought, TROA allows for changes in the way upstream water is managed to allow TMWA to store more Truckee River water in federal reservoirs as a drought persists.

Since the implementation of TROA, TMWA's storage in upstream reservoirs has more than doubled. When combining TMWA's existing POSW in Donner and Independence Lakes, the groundwater resources of the Honey Lake basin, the extensive upstream drought storage benefits of TROA, and Aquifer Storage and Recovery (ASR) groundwater recharge efforts, the TMWA service area is well positioned with regards to drought resiliency.

Advanced Purified Water Program

TMWA is confident in its ability to meet the community's potable water needs for decades to come. Regardless, staff and leadership are dedicated to preparing for potential needs that are beyond the horizon. In this spirit, TMWA is participating in a multi-organizational effort to study the feasibility of producing Category A+ Advanced Purified Water (APW). This research collaboration is known as OneWater Nevada and includes TMWA; City of Reno; City of Sparks; Washoe County; the University of Nevada, Reno; Truckee Meadows Water Reclamation Facility; the Western Regional Water Commission, and the Northern Nevada Water Planning Commission.

The OneWater Nevada Study is evaluating the feasibility of using treated effluent from regional water reclamation facilities and applying a combination of advanced water treatment steps with natural groundwater purification processes to allow for aquifer storage and recovery of the APW. The treatment approach is regulated to rigorous state and federal drinking water standards and may potentially create a future supplemental water supply for potable or other high-quality uses.

TMWA has contributed to the operation and funding of OneWater Nevada since the effort began in 2016. This participation includes the construction and operation of a small-scale pilot treatment facility at the Reno Stead Water Reclamation Facility (RSWRF), hydrogeological studies at Bedell Flat and American Flat, management of groundwater recharge and recovery facilities, and overall technical and operational support. Through an Interlocal Agreement (ILA) with City of Reno, a Basis of Design Report for the RSWRF American Flat APW Aquifer Storage and Recovery Project was completed in fiscal year 2021. Leveraging the information from this Report, TMWA and City of Reno have executed an ILA for a cost sharing agreement for construction of a two million gallon per day (MGD) APW treatment facility. This facility will take several years to build with construction activities expected to commence in fiscal year 2024.

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. The Truckee River travels into Nevada through the Reno-Sparks Metropolitan area and terminates at Pyramid Lake, a distance of approximately 120 miles. The river's natural 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 90 MGD Chalk Bluff Water Treatment Plant, the 34.5 MGD Glendale Water Treatment Plant and the 4 MGD Mount Rose Water Treatment Plant. The Mount Rose Water Treatment Plant treats surface water from Whites Creek, a tributary of the Truckee River. 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 recognition exemplifies TMWA staff's experience, passion, and commitment to producing and delivering outstanding water quality to customers. TMWA has since requalified for this award on an annual basis.

TMWA spends approximately \$1 million annually monitoring water quality by analyzing nearly 15,000 samples covering approximately 20,000 constituents at over 270 locations throughout the TMWA water system to insure compliance with all current drinking water standards 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, 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). Second, TMWA 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. Next, TMWA also requires no irrigation on Mondays to allow its system to recharge. Finally, TMWA generally 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 were retrofitted with a meter. Customers without meters pay a flat, monthly water rate: thus, they 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. Due to the success of this program, TMWA estimates less than 275 water services do not have a meter installed. In fiscal year 2019, the Water Meter Retrofit Program was replaced by the Water Resource Sustainability Program. Remaining balances in this fund will be used to replace meters in the system over the next few years.

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 regarding 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 full-time 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 drought-tolerant landscapes and educational programs focused on smart landscaping practices.

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 more 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. Internal controls are also used to ensure that accounting data are compiled to allow for the preparation of financial statements in accordance with GAAP. 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 Local Government Budget and 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 years. 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 \$114.6 million were \$2.0 million or 1.8% above the final budget for fiscal year ended June 30, 2022. Charges for water sales were \$108.2 million or 0.3% lower than budget. TMWA's water sales can fluctuate from budget based on weather conditions, especially during the spring and fall. During the first part of the fiscal year, hot and dry weather led to increased water consumption as customers were irrigating more than usual. However, a cooler spring led to lower water consumption in the second half of the fiscal year, ultimately leading to slightly lower than average water consumption during the year.

Total operating expenses of \$98.6 million were approximately \$6.1 million under the budget of \$104.7 million. Operating expenses before depreciation were \$5.5 million under budget or approximately 7.8% lower. Salaries and wages and employee benefits were both lower by \$1.9 million and \$4.2 million or 7.1% and 35.8% respectively. Salaries and wages were lower due to position vacancies and increased labor charged to capital projects. Employee benefits were lower due to positive adjustments to net pension and OPEB liabilities due to positive investment performance during calendar year 2021. Service and supplies expenses were \$0.6 million over budget, a variance of 1.8%. The primary driver for the budget variance was electric power costs which were increased during the year by NV Energy, TMWA's electric power provider, through quarterly base tariff increases. These increases were due to the cost of power purchased by NV Energy during the fiscal year.

Total net nonoperating revenues and expenses were \$11.3 million unfavorable to budget. This variance was primarily due to lower investment earnings, specifically a loss on the change in fair value of investments. This was caused by changing invested interest rates during the year and is not realized until the related investment matures or is sold.

Capital contributions of \$51.6 million were \$11.7 million above budget. This was mostly driven by developer facility charges. Developer facility charges include supply, treatment and storage

charges. Both the volume of projects and higher dollar projects are continuing in the Truckee Meadows which has led to increased levels of developer payments. All other developer related cash contributions were also higher than budget, reflecting increased growth in the service territory.

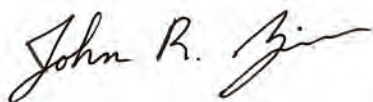
Total capital spending was approximately \$40.8 million for fiscal year 2022, which was approximately \$19.3 million less than the \$60.1 million planned in the final capital budget. The underspend is due to various projects having been deferred to future years.

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, 2022, TMWA has approximately \$169.2 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2022 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 \$11.7 million as of June 30, 2022. As of June 30, 2022, TMWA retained a \$10.4 million water rate stabilization reserve of which \$0.5 million is restricted and \$9.9 million is included as a reservation of unrestricted net position.

ACKNOWLEDGMENTS

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, TMWA customers, and the development community for their commitment to the long-term operational and financial stewardship of TMWA.



John Zimmerman, Esq.
General Manager



Matt Bowman, CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2022**

TMWA Board of Directors

Vaughn Hartung, Washoe County Commissioner, Chairman of the Board

Kristopher Dahir, City of Sparks Council Member, Vice Chairman

Paul Anderson, City of Sparks Council Member

Jenny Brekhus, City of Reno Council Member

Naomi Duerr, City of Reno Council Member

Alexis Hill, Washoe County Commissioner

Neoma Jardon, City of Reno Council Member

Management

Mark Foree, PE, (outgoing) General Manager

John Zimmerman, Esq., (incoming) General Manager

Matt Bowman, CPA, Chief Financial Officer

Scott Estes, PE, Director of Systems Planning and Engineering

John Enloe, Director of Natural Resources, Planning, and Management

Andy Gebhardt, Director of Distribution, Maintenance, and Generation

Stefanie Morris, Director of Legal & Regulatory Affairs

Will Raymond, Director of Operations and Water Quality

Lucas Foletta, General Counsel



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Truckee Meadows Water Authority
Nevada**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

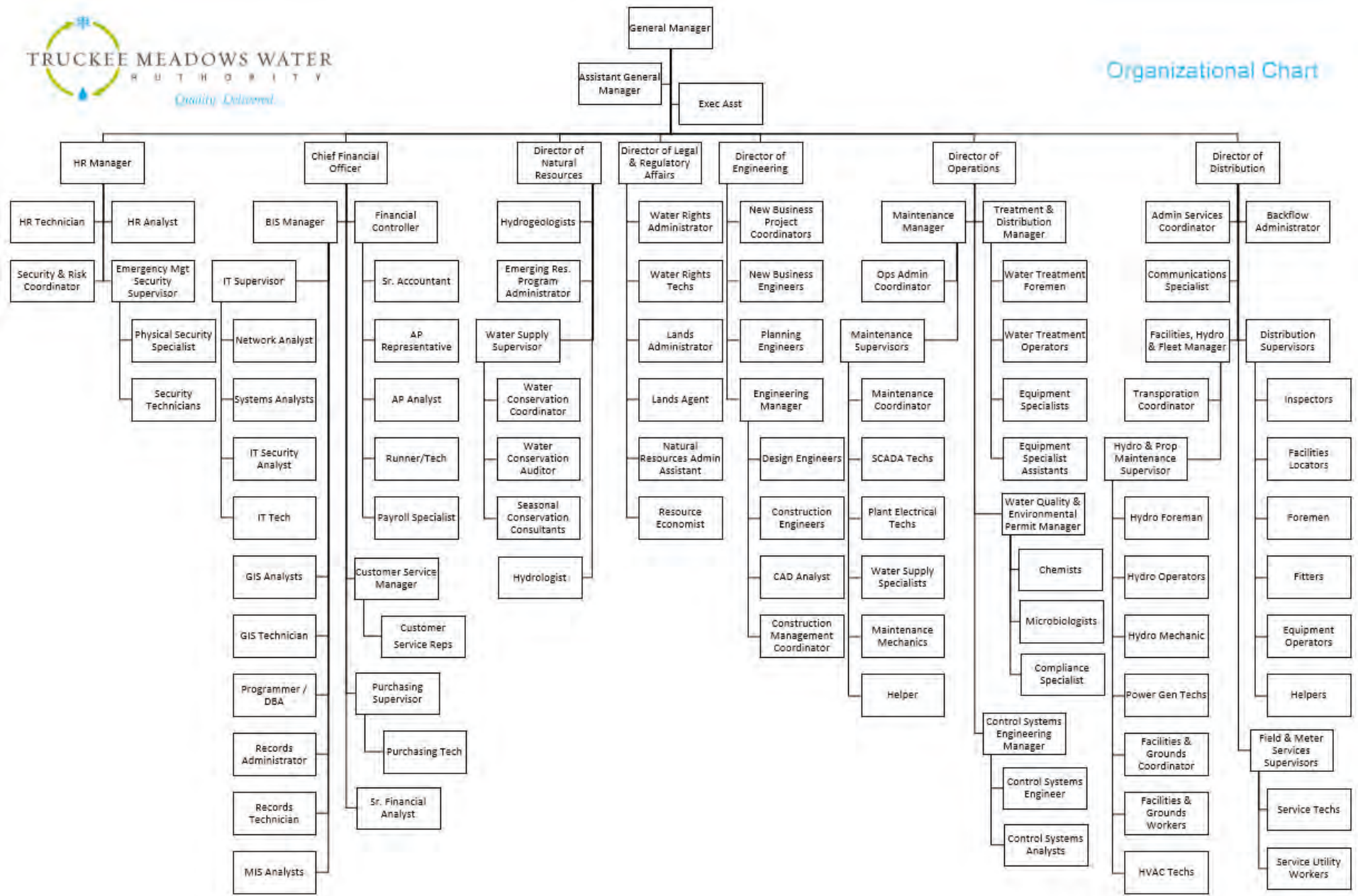
June 30, 2021

Christopher P. Morill

Executive Director/CEO



Organizational Chart





Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the fiduciary activities of the Truckee Meadows Water Authority (TMWA) as of and for the year ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the fiduciary activities of TMWA, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TMWA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 14 to the financial statements, TMWA has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2021. Accordingly, a restatement has been made to the net position as of July 1, 2020, to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 14 to the financial statements, TMWA determined there were errors in amounts previously reported on the Statement of Cash Flows of the proprietary fund. The beginning balance of cash and cash equivalents as of July 1, 2020 was restated to correct the errors. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about TMWA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 TMWA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TMWA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedules of changes in net OPEB liability and related ratios, schedules of OPEB contributions, schedules of TMWA’s share of net pension liability, and schedule of TMWA’s pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise TMWA’s basic financial statements. The schedule of revenues, expenses, and changes in net position – budget and actual, combining statement of fiduciary net position, combining statement of changes in fiduciary net position and schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of revenues, expenses, and changes in net position – budget and actual, combining statement of fiduciary net position, combining statement of changes in fiduciary net position and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022, 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
December 28, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Annual Comprehensive Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020. 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, 2022</u> | <u>Restated June 30, 2021</u> | <u>June 30, 2020</u> |
|--|-----------------------------|--|-----------------------------|
| Unrestricted Current Assets | \$ 189.4 | \$ 192.8 | \$ 168.7 |
| Restricted Current Assets | 33.3 | 31.1 | 27.7 |
| Long-Term Restricted and Other Assets | 27.2 | 27.7 | 29.8 |
| Net Other Postemployment Benefits Asset | 6.0 | 3.4 | 2.3 |
| Capital Assets, net | 1,044.9 | 1,021.8 | 1,007.7 |
| Total Assets | <u>1,300.8</u> | <u>1,276.8</u> | <u>1,236.2</u> |
| Deferred Outflow of Resources | 22.5 | 12.8 | 14.9 |
| Total Assets & Deferred Outflow of Resources | <u>1,323.3</u> | <u>1,289.6</u> | <u>1,251.1</u> |
| Total Current Liabilities | 46.8 | 47.2 | 47.9 |
| Long Term Debt Outstanding | 355.4 | 376.3 | 383.3 |
| Net Pension Liability | 28.5 | 42.2 | 40.6 |
| Net Other Postemployment Benefits Liability | 0.4 | 0.5 | 0.7 |
| Long Term Compensated Absences | 2.8 | 2.9 | 2.2 |
| Total Liabilities | <u>433.9</u> | <u>469.1</u> | <u>474.7</u> |
| Deferred Inflow of Resources | 29.1 | 6.4 | 6.7 |
| Net Investment in Capital Assets | 693.0 | 649.1 | 617.5 |
| Restricted | 52.5 | 50.7 | 50.0 |
| Unrestricted | <u>114.8</u> | <u>114.4</u> | <u>102.2</u> |
| Total Net Position | <u><u>\$ 860.3</u></u> | <u><u>\$ 814.2</u></u> | <u><u>\$ 769.7</u></u> |

During the fiscal year ended June 30, 2022, TMWA implemented GASB Statement No. 87, *Leases*. This resulted in the restatement of amounts previously reported for the year ended June 20, 2021. See Note 14 - Implementation of New Standard for more information.

Financial Position

Fiscal Year 2022 Summary

In the fiscal year ended June 30, 2022, total net position increased by approximately \$46.1 million, the result of operating income and capital contributions offset by nonoperating expenses.

Unrestricted current assets decreased by \$3.4 million from June 30, 2021. Unrestricted cash decreased \$2.8 million with cash from operating activities of \$46.8 million and unrestricted nonoperating contributions of \$30.0 million, offset by cash used for debt service \$31.9 million and acquisition and construction of capital assets of \$40.8 million. See the Statement of Cash Flows for additional information.

Restricted Current Assets increased \$2.2 million from June 30, 2021. The Water Resource Sustainability Program fund increased \$1.4 million due to contributions collected related to water will-serve sales. When a surface water will-serve is sold to a customer, a fee is collected to fund this program. Current Bond Debt Service increased \$0.8 million due to principal payments due within the next year.

Long-Term Restricted and Other Assets decreased \$0.5 million, mainly due to a \$1.0 million reduction in restricted funds related to the consolidation of STMGID in 2015. Funds received from STMGID were restricted for use in the former STMGID service area and continue to decrease annually.

Net Other Postemployment Benefits (OPEB) Asset increased by \$2.6 million as result of the actuarial analysis and a high return on investments held within the two OPEB trusts. See Note 12 to the financial statements for additional information on TMWA's OPEB plans.

Most of TMWA's net position is in capital assets. Capital assets, net of accumulated depreciation, increased by \$23.0 million in fiscal year 2022 as increases in capital assets from capital expenditures and contributions were greater than depreciation expense. Assets built by developers and contributed to TMWA were \$18.2 million. These assets are built to TMWA's standards and specifications. TMWA also put the Mt. Rose Water Treatment Plant into service in fiscal year 2022 and capitalized \$29.0 million of costs related to the project. Depreciation expense was \$33.6 million.

Total current liabilities decreased by \$0.4 million. This was primarily due to a reduction of \$1.2 million in construction contract and retention payables, which are affected by the size and timing of active projects.

Long term debt decreased \$20.9 million, due to principal payments on debt of \$15.4 million and amortization of bond premiums of \$4.4 million.

Net pension liability decreased by \$13.7 million as a result of an actuarial analysis performed for the Public Employees' Retirement System of the State of Nevada (PERS). See Note 11 to the financial statements for additional information on pensions.

Fiscal Year 2021 Summary

In the fiscal year ended June 30, 2021, total net position increased by approximately \$44.5 million, the result of operating income and capital contributions offset by nonoperating expenses.

Unrestricted current assets increased by \$24.1 million from June 30, 2020. Unrestricted cash increased \$23.3 million with cash from operating activities of \$52.8 million and unrestricted nonoperating contributions of \$29.4 million, offset by cash used for debt service \$33.4 million and construction of \$35.6 million. Proceeds from a resource exchange agreement with Tahoe-Reno Industrial Center (TRIC) and Tahoe Reno Industrial General Improvement District (TRIGID) also increased cash by \$9.0 million. In fiscal year 2021, TMWA entered into an agreement to assist TRIC and TRIGID in meeting their return flow requirements to the Truckee River from taking treated effluent from the Truckee Meadows Water Reclamation Facility (TMWRF). When the surface water component of treated effluent water from TMWRF is not returned to the river, there are requirements to makeup that return flow with other water rights that must be left for instream flow. In exchange for providing TRIGID a return flow will-serve to satisfy the above-describe return flow requirements, TRIGID conveyed 1,143 acre-feet of water rights to TMWA and TRIC paid TMWA \$9.0 million. See the Statement of Cash Flows for additional information on sources and uses of cash.

Restricted Current Assets increased \$3.4 million from June 30, 2020. The Water Resource Sustainability Program fund increased \$1.7 million due to contributions collected related to water will-serve sales. When a surface water will-serve is sold to a customer, a fee is collected to fund this program. Current Bond Debt Service increased \$1.7 million due to the addition of the 2021 refunding bonds which were issued to pay off variable rate commercial paper at a low fixed rate of 1.19%.

Long-Term Restricted and Other Assets decreased \$2.5 million, mainly due to a \$2.7 million reduction in restricted funds related to the consolidation of STMGID in 2015. Funds received from STMGID were restricted for use in the former STMGID service area and continue to decrease annually.

Net Other Postemployment Benefits Asset increased by \$1.1 million as result of an actuarial analysis. See Note 12 to the financial statements for additional information on TMWA's other post-employment benefit plans (OPEB).

Most of TMWA's net position is in capital assets. Capital assets, net of accumulated depreciation, increased by \$14.1 million in fiscal year 2021 as increases in capital assets from capital expenditures and contributions were greater than depreciation expense. Assets built by developers and contributed to TMWA were \$10.2 million. These assets are built to TMWA's standards and specifications. TMWA continued construction of a new treatment plant during fiscal year 2021. The Mt. Rose Water Treatment Plant is expected to be operational in fiscal year 2022. Depreciation expense was \$33.3 million.

Total current liabilities decreased by \$0.7 million. The primary decrease was due to the redemption of \$3.0 million of commercial paper, as well as the refunding of the remaining balance of \$13.0 million of commercial paper. The current portion of the new 2021 refunding

bonds, or \$1.8 million, remains in current liabilities. Offsetting this decrease was an increase in contracts and retention payable of \$12.3 million, of which \$9.0 million is due to a payable related to the resource exchange agreement with TRIC and TRIGID mentioned earlier. Cash received in this transaction is held as a payable until certain provisions of the contract are met by TMWA. TMWA will supply return flow water to the Truckee River on behalf of the contracting parties in certain situations to fulfill its obligations. Payables related to construction contracts increased \$3.0 million and retention payable increased \$0.3 million due to timing differences in the accounts payable cycle year over year.

Long term debt decreased \$7.0 million, due to principal payments on debt of \$13.5 million and amortization of bond premiums of \$4.7 million. Long term debt increased \$11.2 million due to the refunding of commercial paper which was previously in short term debt.

Net pension liability increased by \$1.6 million as a result of an actuarial analysis performed for the Public Employees' Retirement System of the State of Nevada (PERS). See Note 11 to the financial statements for additional information on pensions.

TMWA's Changes in Net Position
(in millions)

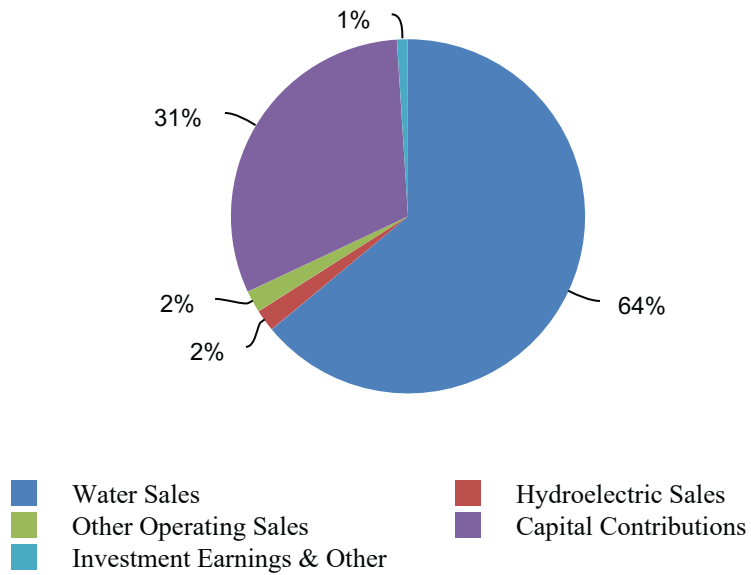
| | <u>June 30, 2022</u> | Restated <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|--------------------------------------|----------------------|---|----------------------|
| Operating Revenues | \$ 114.6 | \$ 115.4 | \$ 108.1 |
| Operating Expenses | 98.6 | 98.2 | 94.1 |
| Operating Income | 16.0 | 17.2 | 14.0 |
| Nonoperating Revenues (Expenses) Net | (21.5) | (14.1) | (6.6) |
| Income before Capital Contributions | (5.5) | 3.1 | 7.4 |
| Capital Contributions | 51.6 | 41.4 | 44.2 |
| Change in Net Position | 46.1 | 44.5 | 51.6 |
| Net Position, Beginning of Year | 814.2 | 769.7 | 718.1 |
| Net Position, End of Year | <u>\$ 860.3</u> | <u>\$ 814.2</u> | <u>\$ 769.7</u> |

TMWA's Revenues
(in millions)

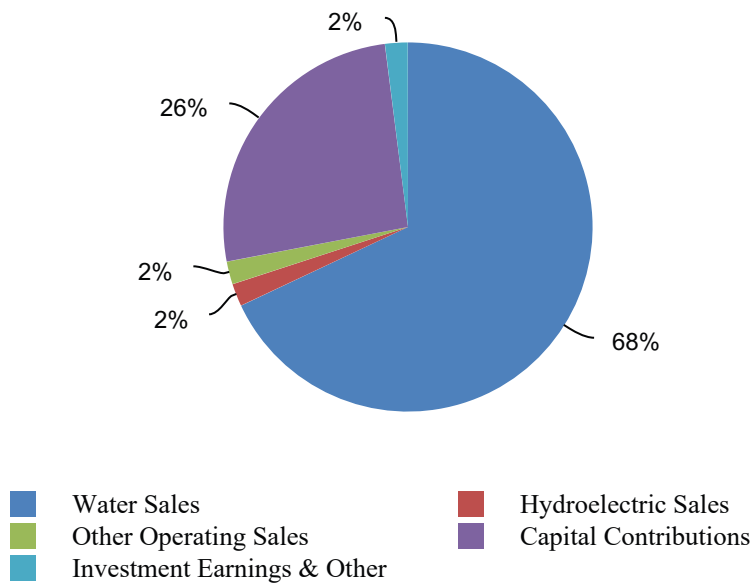
| | <u>June 30, 2022</u> | Restated <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|-----------------------|----------------------|---|----------------------|
| Revenues | | | |
| Operating Revenues | | | |
| Water Sales | \$ 108.2 | \$ 109.8 | \$ 102.5 |
| Hydroelectric Sales | 2.6 | 2.8 | 3.3 |
| Other Operating Sales | 3.8 | 2.8 | 2.3 |
| | 114.6 | 115.4 | 108.1 |
| Nonoperating Revenues | | | |
| Investment Earnings | 2.0 | 2.6 | 4.1 |
| Other | — | — | 3.4 |
| | 2.0 | 2.6 | 7.5 |
| Capital Contributions | 51.6 | 41.4 | 44.2 |
| Total Revenues | <u>\$ 168.2</u> | <u>\$ 159.4</u> | <u>\$ 159.8</u> |

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2022, 2021 and 2020:

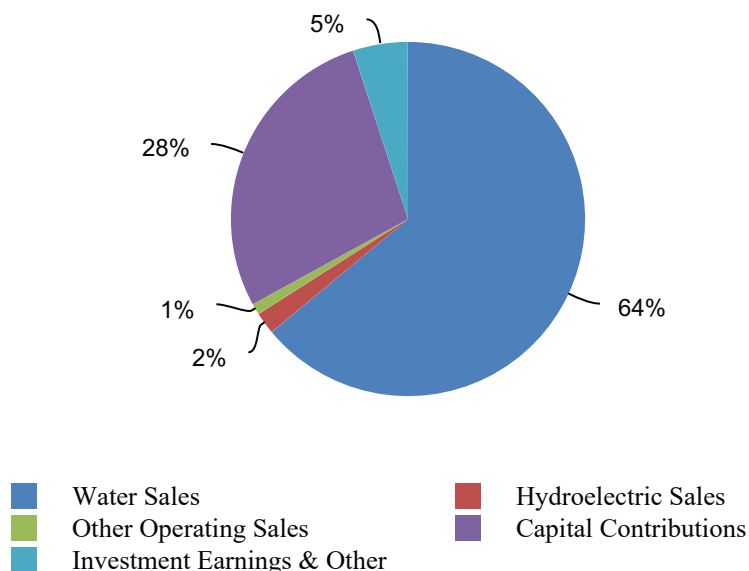
Total Revenues for the Year Ended June 30, 2022



Total Revenues for the Year Ended June 30, 2021



Total Revenues for the Year Ended June 30, 2020



Results of Operations-Revenues

Fiscal Year 2022 Summary

For fiscal year 2022, total operating revenues decreased \$0.8 million from fiscal year 2021. Water Sales were \$108.2 million, \$1.6 million or 1.5% lower than in fiscal year 2021. Water sales were lower year over year due to lower consumption offset by two 2.5% rate increases in June 2021 and 2022. Hydroelectric Sales were \$0.2 million or 7.1% lower than fiscal year 2021 due to low river flows in the late summer months of fiscal year 2022, which forced the plants to be taken offline. Other operating revenue was \$1.0 million or 35.7% higher than the prior year due to higher revenues from construction water, new business engineering fees and late fees.

Investment earnings were \$2.0 million in fiscal year 2022, \$0.6 million lower than fiscal year 2021 due to lower invested rates during the year.

For fiscal year 2022, capital contributions increased by \$10.2 million. The main driver of the increase is developer infrastructure contributions which were \$8.0 million greater than 2021. These contributions are infrastructure built by developers to TMWA's specifications and then dedicated to TMWA. They can vary from year to year depending on activity and the timing of project closeouts. Grants were also \$2.2 million higher than 2021 primarily from the grant award TMWA received to repair the Glendale diversion, which was damaged in the 2017 flood event.

Fiscal Year 2021 Summary

For fiscal year 2021, total operating revenues increased \$7.3 million from fiscal year 2020. Water Sales were \$109.8 million, \$7.3 million or 7.1% greater than in fiscal year 2020. Water sales were higher year over year due to growth in the service area of approximately 3%, with the main driver for the increase being higher water usage per capita. Hydroelectric Sales were \$0.5 million or 15.2% lower than fiscal year 2020, due to downtime for repairs at the hydroelectric plants. Other operating revenue was \$0.5 million or 21.7% higher than the prior year due to resuming late fee charges after the pause for the beginning of the pandemic in fiscal year 2020.

Investment earnings were \$2.6 million in fiscal year 2021, \$1.5 million lower than fiscal year 2020 due to lower invested rates during the year. Other nonoperating revenues decreased \$3.4 million due to an unrealized investment loss in fiscal year 2021 (this line item was included as unrealized investment gain in fiscal year 2020).

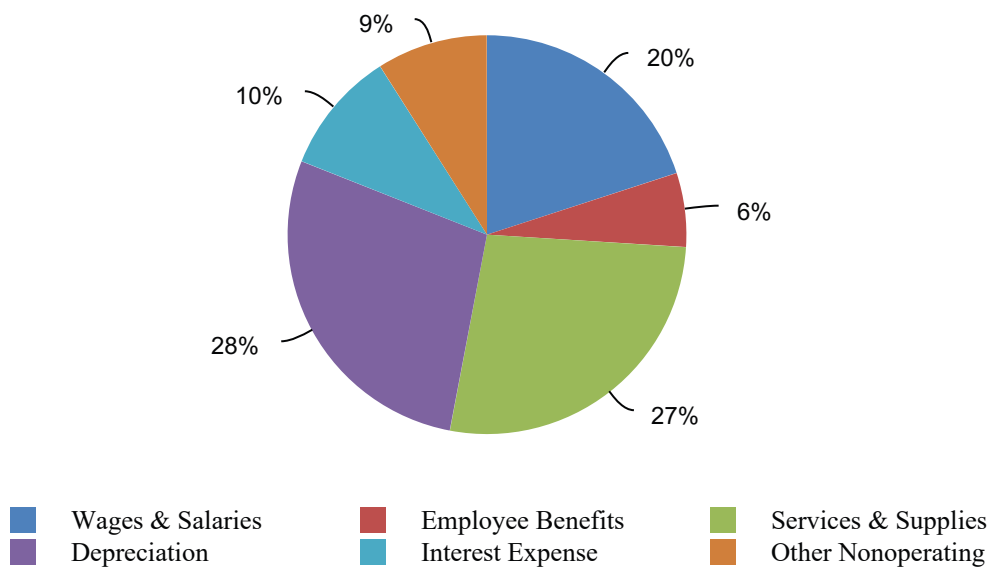
For fiscal year 2021, capital contributions decreased by \$2.8 million. The main driver of the decrease is developer infrastructure contributions which were \$9.9 million lower than 2020. These contributions are infrastructure built by developers to TMWA's specifications and then dedicated to TMWA. Other developer contributions or fees were \$7.7 million higher than the prior year. Other contributions were \$0.6 million lower than 2020.

TMWA's Expenses
(in millions)

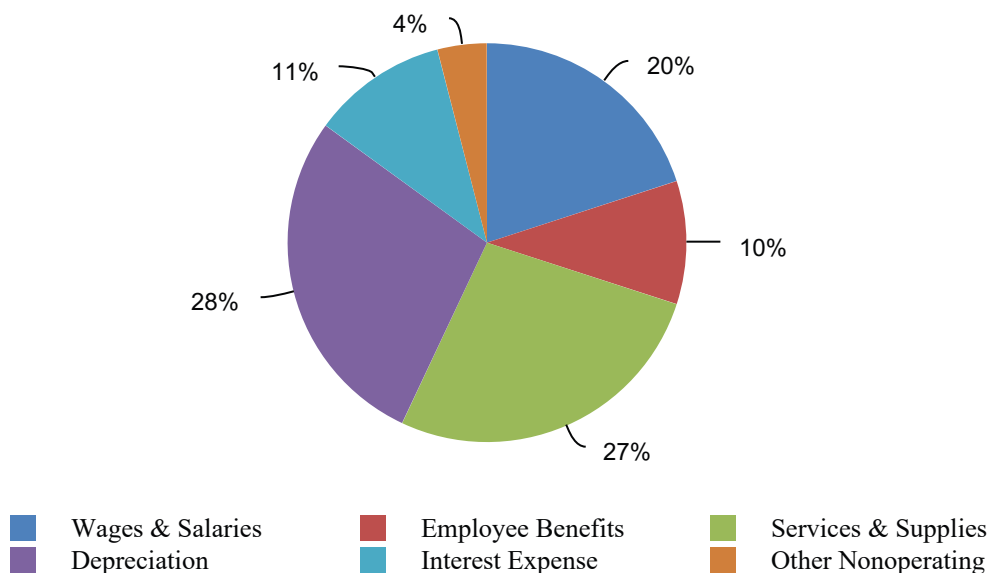
| | <u>June 30, 2022</u> | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|-----------------------------|------------------------|------------------------|------------------------|
| Expenses | | | |
| Operating Expenses | | | |
| Wages & Salaries | \$ 24.7 | \$ 23.1 | \$ 21.5 |
| Employee Benefits | 7.5 | 11.3 | 11.5 |
| Services & Supplies | 32.8 | 30.5 | 27.8 |
| Depreciation | 33.6 | 33.3 | 33.3 |
| | <u>98.6</u> | <u>98.2</u> | <u>94.1</u> |
| Nonoperating Expenses | | | |
| Interest Expense | 12.0 | 12.3 | 12.7 |
| Other Nonoperating Expenses | 11.5 | 4.4 | 1.4 |
| | <u>23.5</u> | <u>16.7</u> | <u>14.1</u> |
| Total Expenses | <u><u>\$ 122.1</u></u> | <u><u>\$ 114.9</u></u> | <u><u>\$ 108.2</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, 2022, 2021 and 2020:

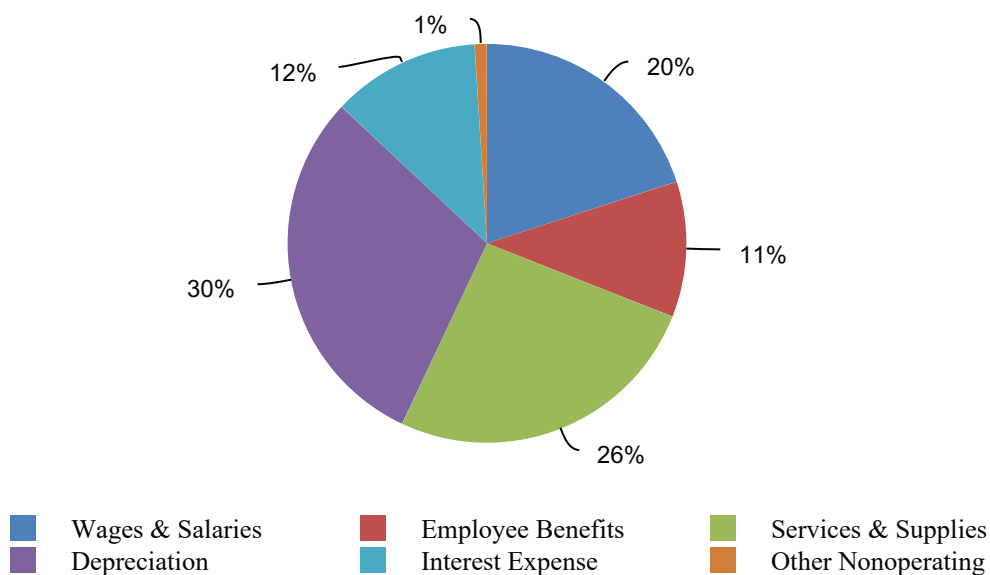
Total Expenses for the Year Ended June 30, 2022



Total Expenses for the Year Ended June 30, 2021



Total Expenses for the Year Ended June 30, 2020



Results of Operations-Expenses

Fiscal Year 2022 Summary

Operating expenses were \$98.6 million, \$0.4 million or 0.4% higher than fiscal year 2021. Spending on salaries and wages was \$1.6 million or 6.9% higher, due to wage increases and increases in headcount. Employee benefits were \$3.8 million or 33.6% lower than prior year due mainly to lower pension expense related to Nevada PERS. Spending on services and supplies was \$2.3 million or 7.5% more than prior year primarily due to inflation and increased costs in power, security, meter replacements, and vehicle fuel costs.

Nonoperating expenses were \$6.8 million higher compared to prior year. Unrealized investment loss of \$10.6 million was the main driver for this increase. In fiscal year 2021, TMWA had an unrealized investment loss of only \$2.4 million included in nonoperating expenses.

Fiscal Year 2021 Summary

Operating expenses were \$98.2 million, \$4.1 million or 4.4% higher than fiscal year 2020. Spending on salaries and wages was \$1.6 million or 7.4% higher, due to wage increases and increases in headcount. Employee benefits were \$0.2 million or 1.7% lower than prior year due mainly to lower pension expense related to Nevada PERS. Higher pension expense was recognized in 2020 as a result of prior year deferred outflows being recognized. Spending on services and supplies was \$2.7 million or 9.7% more than prior year due to \$1.2 million in project expenses that were delayed in fiscal year 2020 as well as increases of \$1.1 million related to chemicals, insurance, and meter supplies.

Nonoperating expenses were \$2.6 million higher compared to prior year. Unrealized investment loss of \$2.4 million was the main driver for this increase. In fiscal year 2020, TMWA had an unrealized investment gain included in nonoperating revenue.

CAPITAL ASSETS

At June 30, 2022, TMWA's total capital assets were \$1,599.0 million before accumulated depreciation of \$554.1 million, for a net book value of \$1,044.9 million. Included in the total capital assets reported on the Statement of Net Position was \$46.6 million in construction work in progress.

At June 30, 2021, TMWA's total capital assets were \$1,542.3 million before accumulated depreciation of \$520.5 million, for a net book value of \$1,021.8 million. Included in the total capital assets reported on the Statement of Net Position was \$72.9 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, 2022, TMWA had \$371.8 million in total reported debt outstanding. This amount reflects \$338.5 million in total outstanding principal indebtedness and \$33.4 million net bond premium. Of the \$338.5 million in total reported debt outstanding, \$16.5 million was due within one year and is classified as short term indebtedness.

Total outstanding principal indebtedness of \$338.5 million as of June 30, 2022 reflects a decrease of \$15.4 million or 4.3% from total outstanding principal of \$353.9 million as of June 30, 2021. Total outstanding principal indebtedness of \$353.9 million as of June 30, 2021 reflects a decrease of \$16.5 million or 4.4% from total outstanding principal of \$370.3 million as of June 30, 2020.

During fiscal year 2022, TMWA maintained credit ratings from Standard and Poor's of AA+, outlook Stable and from Moody's of Aa2, outlook Stable. In March 2022, Fitch upgraded TMWA's credit rating to AAA, outlook Stable.

Detailed information about TMWA's indebtedness can be found in Note 7 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 Annual Comprehensive 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 89520-3013.

Truckee Meadows Water Authority
Statements of Net Position
June 30, 2022 and 2021

| | 2022 | Restated 2021 |
|--|-------------------------|-------------------------|
| Assets | | |
| Current Assets | | |
| Cash and investments | \$ 169,195,095 | \$ 171,977,503 |
| Accounts receivable, net | 15,395,317 | 16,712,476 |
| Due from others | 357,337 | 330,497 |
| Due from other governments | 807,876 | 480,233 |
| Interest receivable | 760,415 | 815,015 |
| Prepaid assets and other assets | 2,887,338 | 2,520,934 |
| | <u>189,403,378</u> | <u>192,836,658</u> |
| Restricted Current Assets | | |
| Cash and investments | | |
| Water meter retrofit program | 5,711,052 | 5,711,052 |
| Water resource sustainability program | 5,290,637 | 3,881,614 |
| Current bond debt service | 22,271,247 | 21,507,623 |
| | <u>33,272,936</u> | <u>31,100,289</u> |
| Total current assets | <u>222,676,314</u> | <u>223,936,947</u> |
| Restricted Noncurrent Assets | | |
| Cash and investments | | |
| Future bond debt service | 2,337,315 | 2,332,198 |
| Operations and maintenance | 11,740,835 | 11,107,402 |
| Renewal and replacement | 11,544,050 | 12,554,388 |
| Water rate stabilization | 500,000 | 500,000 |
| | <u>26,122,200</u> | <u>26,493,988</u> |
| Noncurrent Assets | | |
| Capital assets, not depreciated | 178,003,697 | 204,128,838 |
| Capital assets, depreciated | 866,871,905 | 817,716,868 |
| Other noncurrent assets | 1,123,455 | 1,206,948 |
| Net other postemployment benefits | 6,024,714 | 3,448,866 |
| | <u>1,052,023,771</u> | <u>1,026,501,520</u> |
| Total noncurrent assets | <u>1,078,145,971</u> | <u>1,052,995,508</u> |
| Total assets | <u>1,300,822,285</u> | <u>1,276,932,455</u> |
| Deferred Outflow of Resources | | |
| Bond refundings | 2,088,177 | 2,298,058 |
| Net pension liability | 19,946,649 | 10,129,907 |
| Net other postemployment benefits | 411,188 | 414,834 |
| | <u>22,446,014</u> | <u>12,842,799</u> |
| Total deferred outflow of resources | <u>22,446,014</u> | <u>12,842,799</u> |
| Total Assets and Deferred Outflow of Resources | <u>\$ 1,323,268,299</u> | <u>\$ 1,289,775,254</u> |

Truckee Meadows Water Authority
Statements of Net Position
June 30, 2022 and 2021

| | 2022 | Restated 2021 |
|--|-------------------------|-------------------------|
| Liabilities | | |
| Current Liabilities Payable from Unrestricted Current Assets | | |
| Accounts payable | \$ 2,489,317 | \$ 2,304,958 |
| Contracts and retention payable | 13,722,146 | 14,921,843 |
| Accrued liabilities | 2,109,336 | 1,862,440 |
| Current portion of compensated absences | 525,397 | 595,774 |
| Due to other governments | 1,839,020 | 1,834,639 |
| Accrued interest payable | 185,280 | 212,526 |
| Current portion of long-term debt | 2,064,081 | 2,009,193 |
| Customer deposits and amounts due to developers | 1,600,628 | 1,983,091 |
| | <u>24,535,205</u> | <u>25,724,464</u> |
| Current Liabilities Payable from Restricted Current Assets | | |
| Current portion of long-term debt | 14,430,000 | 13,375,000 |
| Interest payable | 7,841,247 | 8,132,623 |
| | <u>22,271,247</u> | <u>21,507,623</u> |
| Total current liabilities | <u>46,806,452</u> | <u>47,232,087</u> |
| Noncurrent Liabilities | | |
| Net pension liability | 28,552,406 | 42,191,934 |
| Long-term debt, net of current portion | 355,355,275 | 376,289,346 |
| Net other postemployment benefits liability | 376,724 | 547,743 |
| Compensated absences, net of current portion | 2,784,275 | 2,928,666 |
| Total noncurrent liabilities | <u>387,068,680</u> | <u>421,957,689</u> |
| Total liabilities | <u>433,875,132</u> | <u>469,189,776</u> |
| Deferred Inflow of Resources | | |
| Net pension liability | 23,710,557 | 2,445,779 |
| Bond refundings | 70,045 | 78,858 |
| Leases | 358,459 | 399,741 |
| Other postemployment benefits | 4,989,033 | 3,485,815 |
| Total deferred inflows of resources | <u>29,128,094</u> | <u>6,410,193</u> |
| Total liabilities and deferred inflow of resources | <u>463,003,226</u> | <u>475,599,969</u> |
| Net Position | | |
| Net investment in capital assets | 692,996,744 | 649,138,921 |
| Restricted for water meter retrofit program | 5,711,052 | 5,711,052 |
| Restricted for water resource sustainability program | 5,290,637 | 3,881,613 |
| Restricted for debt service | 22,271,247 | 21,507,623 |
| Restricted for operations and maintenance reserve | 7,140,835 | 6,507,402 |
| Restricted for renewal and replacement reserve | 11,544,050 | 12,554,388 |
| Restricted for water rate stabilization | 500,000 | 500,000 |
| Unrestricted | 114,810,508 | 114,374,286 |
| Total net position | <u>860,265,073</u> | <u>814,175,285</u> |
| Total Liabilities, Deferred Inflow of Resources and Net Position | <u>\$ 1,323,268,299</u> | <u>\$ 1,289,775,254</u> |

Truckee Meadows Water Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2022 and 2021

| | 2022 | Restated 2021 |
|---|----------------|------------------|
| Operating Revenues | | |
| Charges for water sales | \$ 108,172,970 | \$ 109,822,836 |
| Hydroelectric sales | 2,551,333 | 2,768,274 |
| Other operating sales | 3,846,679 | 2,799,694 |
| Total operating revenues | 114,570,982 | 115,390,804 |
| Operating Expenses | | |
| Salaries and wages | 24,735,686 | 23,101,987 |
| Employee benefits | 7,461,199 | 11,282,823 |
| Services and supplies | 32,768,771 | 30,562,803 |
| Total operating expenses before depreciation | 64,965,656 | 64,947,613 |
| Depreciation | 33,642,537 | 33,286,373 |
| Total operating expenses | 98,608,193 | 98,233,986 |
| Operating Income | 15,962,789 | 17,156,818 |
| Nonoperating Revenues (Expenses) | | |
| Investment earnings | 2,028,627 | 2,563,447 |
| Net decrease in fair value of investments | (10,605,392) | (2,389,723) |
| Loss on disposal of assets | (938,661) | (1,755,873) |
| Debt issuance costs | 801 | (235,494) |
| Interest expense | (11,954,097) | (12,262,581) |
| Total nonoperating revenues (expenses) | (21,468,722) | (14,080,224) |
| Income (loss) before Capital Contributions | (5,505,933) | 3,076,594 |
| Capital Contributions | | |
| Grants | 2,164,651 | — |
| Water resource sustainability program | 1,409,024 | 1,708,110 |
| Developer infrastructure contributions | 18,167,149 | 10,201,446 |
| Developer will-serve contributions (net of refunds) | 4,436,788 | 5,632,381 |
| Developer capital contributions-other | 11,835,501 | 11,461,850 |
| Developer facility charges (net of refunds) | 12,862,786 | 12,218,607 |
| Contributions from other governments | 719,822 | 132,800 |
| Net capital contributions | 51,595,721 | 41,355,194 |
| Change in Net Position | 46,089,788 | 44,431,788 |
| Net Position, Beginning of Year | 814,175,285 | 769,743,497 |
| Net Position, End of Year | \$ 860,265,073 | \$ 814,175,285 |

Truckee Meadows Water Authority
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | Restated 2021 |
|---|----------------------|----------------------|
| Operating Activities | | |
| Cash received from customers | \$ 115,440,042 | \$ 113,523,515 |
| Cash paid to employees | (35,600,437) | (31,733,248) |
| Cash paid to suppliers | (33,053,731) | (29,068,889) |
| Net Cash from Operating Activities | 46,785,874 | 52,721,378 |
| Capital and Related Financing Activities | | |
| Cash received on lease receivables | 33,452 | 37,905 |
| Cash received for interest on lease receivables | 11,878 | 7,196 |
| Acquisition and construction of capital assets | (40,754,019) | (35,639,318) |
| Interest paid on financing | (16,510,042) | (16,945,779) |
| Principal paid on financing | (15,384,193) | (13,460,867) |
| Proceeds from refunding bonds | — | 13,000,000 |
| Redemption of commercial paper notes | — | (16,000,000) |
| Proceeds from capital asset disposal | 110,377 | 24,795 |
| Proceeds from resource exchange agreement | — | 8,978,200 |
| Grants | 1,849,748 | 480,533 |
| Contributions for water resource sustainability program | 1,409,024 | 1,708,110 |
| Contributions from developers-will-serve letters | 4,436,788 | 5,632,381 |
| Contributions from developers-other | 11,835,501 | 11,461,850 |
| Contributions from developers-facility charges | 12,862,786 | 12,218,607 |
| Contributions from other governments | 819,822 | 132,800 |
| Bond/note issuance costs | 801 | (235,494) |
| Net Cash used for Capital and Related Financing Activities | (39,278,077) | (28,599,081) |
| Investing Activities | | |
| Amounts received on water service loans | 46,296 | 45,119 |
| Payments made for water service loans | — | (446,658) |
| Proceeds from the sale and maturity of investment securities | 86,160,653 | 184,501,745 |
| Purchase of investment securities | (99,773,888) | (205,621,725) |
| Investment interest/earnings | 2,987,217 | 3,365,581 |
| Net Cash used for Investing Activities | (10,579,722) | (18,155,938) |
| Net Change in Cash and Cash Equivalents | (3,071,925) | 5,966,359 |
| Cash and Cash Equivalents, Beginning of Year | 18,928,280 | 12,961,921 |
| Cash and Cash Equivalents, End of Year | <u>\$ 15,856,355</u> | <u>\$ 18,928,280</u> |
| Reconciliation of Amounts Reported on the Statement of Net Position to Cash and Cash Equivalents | | |
| Reported on the Statement of Net Position: | | |
| Cash and investments | \$ 169,195,095 | \$ 171,977,503 |
| Restricted current cash and investments | 33,272,936 | 31,100,289 |
| Restricted noncurrent cash and investments | 26,122,200 | 26,493,988 |
| Total Cash and Investments | 228,590,231 | 229,571,780 |
| Investments not meeting the definition of cash and cash equivalents | (212,733,876) | (210,643,500) |
| Total Cash and Cash Equivalents | <u>\$ 15,856,355</u> | <u>\$ 18,928,280</u> |

Truckee Meadows Water Authority

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

| | 2022 | Restated 2021 |
|--|----------------------|----------------------|
| Reconciliation of Operating Income to Net Cash from Operating Activities | | |
| Operating Income | \$ 15,962,789 | \$ 17,156,818 |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation | 33,642,537 | 33,286,373 |
| OPEB expense | (1,177,786) | (645,359) |
| OPEB contributions | (62,217) | (66,740) |
| Pension expense | 1,305,093 | 5,491,411 |
| Pension contributions | (3,496,584) | (3,277,098) |
| Changes in assets and liabilities | | |
| Accounts receivable, net | 1,278,363 | (1,790,395) |
| Due from others | (26,840) | (84,364) |
| Due from other governments | (112,740) | 524,799 |
| Prepaid assets and other assets | (365,145) | 76,586 |
| Accounts payable | 184,359 | 595,274 |
| Accrued liabilities | 246,896 | 253,480 |
| Compensated absences | (214,769) | 896,972 |
| Due to other governments | 4,381 | 296,151 |
| Customer deposits and amounts due to developers | (382,463) | 7,470 |
| Total adjustments | 30,823,085 | 35,564,560 |
| Net Cash from Operating Activities | <u>\$ 46,785,874</u> | <u>\$ 52,721,378</u> |
| Non-Cash Capital and Related Financing Activities | | |
| Amortization of net bond premium | \$ (4,439,990) | \$ (4,657,082) |
| Amortization of refunding allowances to interest expense | 201,068 | 203,083 |
| Developer infrastructure contributions | 18,167,149 | 10,201,446 |
| Change in contracts and retention payable | (1,199,697) | 3,338,521 |
| Acquisition and Construction of Capital Assets | | |
| Acquisition and construction of capital assets financed by cash | \$ 40,754,019 | \$ 35,639,318 |
| Developer infrastructure contributions | 18,167,149 | 10,201,446 |
| Change in contracts and retention payable | (1,199,697) | 3,338,521 |
| Total acquisition and construction of capital assets | <u>\$ 57,721,471</u> | <u>\$ 49,179,285</u> |

Truckee Meadows Water Authority
Statements of Fiduciary Net Position - Other Post-employment Benefit Trust Funds
December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash | \$ 119,589 | \$ 47,142 |
| Receivables from plan members | 11,745 | 22,041 |
| Investments, at fair value | <u>17,775,142</u> | <u>15,543,313</u> |
| Total assets | <u>17,906,476</u> | <u>15,612,496</u> |
| Liabilities | | |
| Accounts payable | <u>122,196</u> | <u>74,631</u> |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | <u><u>\$ 17,784,280</u></u> | <u><u>\$ 15,537,865</u></u> |

Truckee Meadows Water Authority
 Statements of Changes in Fiduciary Net Position - Other Post-employment Benefit Trust Funds
 Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| Additions | | |
| Investment Income | | |
| Net increase in fair value of investments | \$ 2,351,683 | \$ 1,763,646 |
| Interest and dividends | 265,600 | 275,824 |
| Investment expense | <u>(5,454)</u> | <u>(3,259)</u> |
| Net investment income | 2,611,829 | 2,036,211 |
| Employer contributions | <u>97,848</u> | <u>217,010</u> |
| Total additions | <u>2,709,677</u> | <u>2,253,221</u> |
| Deductions | | |
| Benefit payments | 430,487 | 416,612 |
| Administrative expenses | <u>32,775</u> | <u>32,490</u> |
| Total deductions | <u>463,262</u> | <u>449,102</u> |
| Change in Net Position | 2,246,415 | 1,804,119 |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | | |
| Beginning of year | <u>15,537,865</u> | <u>13,733,746</u> |
| End of year | <u><u>\$ 17,784,280</u></u> | <u><u>\$ 15,537,865</u></u> |

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 (Board) appointed by:

- Reno City Council (3 seats)
- Sparks City Council (2 seats)
- Washoe County Commissioners (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. TMWA's financial statements 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.

In accordance with GASB Statement No. 84, TMWA reports its two Other Post-Employment Benefit (OPEB) Plans as a fiduciary fund. The OPEB Plans do not present the results of operations of TMWA or have a measurement focus and are therefore not consolidated in TMWA's Statements of Net Position or Statements of Revenue, Expenses and Changes in Net Position.

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, TMWA's General Manager submits to the Board 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 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 GAAP. Appropriations lapse at year-end.
- In accordance with State statute, actual expenses may not exceed the sum of operating and nonoperating appropriations.

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 (LGIP), 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 the same as TMWA's proportionate share of the pool's fair value.

The §501(c)(9) and §115 Other Post-Employment Benefit (OPEB) Plans' net earnings from the State of Nevada Retirement Benefit Investment Fund (RBIF), an external investment pool, are based on the Trusts' original investment plus a monthly allocation of investment income, including 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.

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 and water resource sustainability programs adopted under Title II of 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 | Canals | 15-50 |
| Plants | 15-50 | Reservoirs | 20-75 |
| Services | 15-60 | Vehicles | 5-10 |
| Pump stations | 15-50 | Furniture and fixtures | 7-10 |
| Tanks | 65-75 | Computer hardware and software | 5-15 |
| Wells | 15-50 | Equipment | 5-10 |
| Pressure reducing stations | 15-60 | Administration buildings | 50 |
| Hydroelectric facilities | 20-80 | | |

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 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 leases, bond refundings, pensions and other post-employment benefits.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources, 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.

Other Post-Employment Benefits

For purposes of measuring TMWA's OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of TMWA's OPEB Plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by TMWA's OPEB Plans. For this purpose, TMWA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

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 current and noncurrent liabilities in the accompanying Statements of Net Position.

Long-Term Debt

Long-term debt is reported at face value, net of any premium or discounts, in the Statements of Net Position. Premiums and discounts are amortized using the effective interest method over the life of the related debt. Debt issuance costs are expensed in the period incurred.

Classification of Revenues

Operating revenues consist of water sales, hydroelectric sales, and miscellaneous fee income. 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.

Net Position

Net Position is displayed in three classifications:

- Net investment in capital assets. This component represents TMWA's net position in its capital assets. It reflects the cost of capital assets, less accumulated depreciation and less the outstanding principal of related debt, excluding unspent proceeds.
- Restricted. This component reflects the carrying value of assets, less related liabilities, that are restricted by law or by other externally imposed restrictions, such as bond covenants. Assets restricted only by TMWA or Board imposed limitations are not included in the calculation.
- Unrestricted. This component represents the remaining net position balance that is available to support TMWA's operations and capital asset acquisition/construction.

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. 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. Implementation of Statement No. 87 during the fiscal year ended June 30, 2022 had an impact on TMWA's financial statements. Also as a result of the implementation, amounts previously reported in TMWA's financial statements for the year ended June 30, 2021 were restated. See Note 6 for additional disclosures required by this standard and Note 14 for information on the restated amounts.

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, 2022 | June 30, 2021 |
|--------------------------------------|----------------------|----------------------|
| Billed amounts | \$ 7,302,435 | \$ 7,692,875 |
| Earned, but unbilled amounts | 8,336,557 | 9,445,936 |
| | 15,638,992 | 17,138,811 |
| Allowance for uncollectible accounts | (243,675) | (426,335) |
| Accounts receivable, net | <u>\$ 15,395,317</u> | <u>\$ 16,712,476</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. TMWA's deposits are collateralized by the Office of the State Treasurer/Nevada Collateral Pool.

The OPEB Plans' bank balances were covered by the Federal Deposit Insurance Corporation. Under the Plans' investment policies, the Plans' assets are limited to investments in the State of Nevada RBIF, and any investment authorized pursuant to Nevada Revised Statute (NRS) 355.170. The Plans invest their assets in the RBIF as allowed by the NRS 287.017 and the Nevada Administrative Code. The RBIF was established pursuant to NRS 355.220 and is administered by the Retirement Benefits Investment Board as an unrated external investment pool. The RBIF is not registered with the Securities and Exchange Commission as an investment company. Each participant acts as fiduciary for its particular share of the RBIF and is allocated earnings and expenses according to its proportional share in RBIF. Bank of New York, Mellon determines the fair value of the RBIF monthly.

Truckee Meadows Water Authority

Notes to Financial Statements

June 30, 2022 and 2021

As of June 30, 2022, TMWA had the following cash and investments maturities:

| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
|----------------------------|----------------------|----------------------|----------------------|-----------------------|
| Investments | | | | |
| U.S. Treasuries | \$ 8,283,680 | \$ 9,983,590 | \$ 23,956,604 | \$ 42,223,874 |
| U.S. Agencies | 21,008,034 | 48,571,355 | 35,094,905 | 104,674,294 |
| LGIP | 2,337,315 | — | — | 2,337,315 |
| Money Market Mutual Funds | 35,281,891 | — | — | 35,281,891 |
| Certificates of Deposit | 5,002,854 | 2,499,060 | 684,954 | 8,186,868 |
| Corporate Notes | 4,823,794 | 15,301,781 | 13,116,260 | 33,241,835 |
| Total Investments | 76,737,568 | 76,355,786 | 72,852,723 | 225,946,077 |
| Total Cash | 2,644,154 | — | — | 2,644,154 |
| Total Cash and Investments | <u>\$ 79,381,722</u> | <u>\$ 76,355,786</u> | <u>\$ 72,852,723</u> | <u>\$ 228,590,231</u> |

As of June 30, 2021, TMWA had the following cash and investments maturities:

| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
|----------------------------|----------------------|----------------------|----------------------|-----------------------|
| Investments | | | | |
| U.S. Treasuries | \$ 19,791,490 | \$ 8,457,468 | \$ 18,842,480 | \$ 47,091,438 |
| U.S. Agencies | 6,563,289 | 45,728,477 | 48,118,659 | 100,410,425 |
| LGIP | 2,332,198 | — | — | 2,332,198 |
| Money Market Mutual Funds | 36,666,797 | — | — | 36,666,797 |
| Certificates of Deposit | 2,021,005 | 7,563,113 | 262,907 | 9,847,025 |
| Corporate Notes | 647,955 | 16,784,723 | 13,105,129 | 30,537,807 |
| Total Investments | 68,022,734 | 78,533,781 | 80,329,175 | 226,885,690 |
| Total Cash | 2,686,088 | — | — | 2,686,088 |
| Total Cash and Investments | <u>\$ 70,708,822</u> | <u>\$ 78,533,781</u> | <u>\$ 80,329,175</u> | <u>\$ 229,571,778</u> |

As of December 31, 2021, the OPEB Plans had the following cash and investments maturities:

| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
|----------------------------|----------------------|-------------|-------------|----------------------|
| §501(c)(9) Plan | | | | |
| Total Investments - RBIF | \$ 16,072,517 | \$ — | \$ — | \$ 16,072,517 |
| Total Cash | 44,195 | — | — | 44,195 |
| Total Cash and Investments | <u>\$ 16,116,712</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 16,116,712</u> |
| §115 Plan | | | | |
| Total Investments - RBIF | \$ 1,702,625 | \$ — | \$ — | \$ 1,702,625 |
| Total Cash | 75,394 | — | — | 75,394 |
| Total Cash and Investments | <u>\$ 1,778,019</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,778,019</u> |

As of December 31, 2020, the OPEB Plans had the following cash and investments maturities:

| | Less than 1 Year | 1 - 3 Years | 4 - 5 Years | Total |
|----------------------------|----------------------|-------------|-------------|----------------------|
| §501(c)(9) Plan | | | | |
| Total Investments - RBIF | \$ 14,068,245 | \$ — | \$ — | \$ 14,068,245 |
| Total Cash | 26,777 | — | — | 26,777 |
| Total Cash and Investments | <u>\$ 14,095,022</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 14,095,022</u> |
| §115 Plan | | | | |
| Total Investments - RBIF | \$ 1,475,068 | \$ — | \$ — | \$ 1,475,068 |
| Total Cash | 20,365 | — | — | 20,365 |
| Total Cash and Investments | <u>\$ 1,495,433</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 1,495,433</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 five 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 125 days at June 30, 2022, and 143 days at June 30, 2021.

At June 30, 2022, using Standard & Poor's rating scale, TMWA's investments were rated as follows:

| S&P Rating | U.S. Treasuries | U.S. Agencies | LGIP | Money Market Mutual Funds | Certificates of Deposit | Corporate Notes | Total |
|-------------------|----------------------|-----------------------|---------------------|------------------------------|----------------------------|----------------------|-----------------------|
| AAA | \$ — | \$ — | \$ — | \$ 1,202,259 | \$ — | \$ — | \$ 1,202,259 |
| AA+ | 42,223,874 | 104,674,294 | — | — | — | 501,044 | 147,399,212 |
| AA | — | — | — | — | — | 5,343,592 | 5,343,592 |
| A+ | — | — | — | — | 1,499,977 | 5,558,977 | 7,058,954 |
| A | — | — | — | — | 249,491 | 9,337,115 | 9,586,606 |
| A- | — | — | — | — | 500,931 | 11,098,043 | 11,598,974 |
| BBB+ | — | — | — | — | 1,000,786 | 1,403,064 | 2,403,850 |
| BBB | — | — | — | — | 250,531 | — | 250,531 |
| BBB- | — | — | — | — | 471,868 | — | 471,868 |
| NR | — | — | 2,337,315 | 34,079,632 | 4,213,284 | — | 40,630,231 |
| Total Investments | <u>\$ 42,223,874</u> | <u>\$ 104,674,294</u> | <u>\$ 2,337,315</u> | <u>\$ 35,281,891</u> | <u>\$ 8,186,868</u> | <u>\$ 33,241,835</u> | <u>\$ 225,946,077</u> |

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

At June 30, 2021, using Standard & Poor's rating scale, TMWA's investments were rated as follows:

| S&P Rating | U.S. Treasury | U.S. Agencies | LGIP | Money Market Mutual Funds | Certificates of Deposit | Corporate Notes | Total |
|-------------------|----------------------|-----------------------|---------------------|------------------------------|----------------------------|----------------------|-----------------------|
| AAA | \$ — | \$ — | \$ — | \$ 411,650 | \$ — | \$ — | \$ 411,650 |
| AA+ | 47,091,438 | 100,410,425 | — | — | — | 514,458 | 148,016,321 |
| AA | — | — | — | — | — | 4,482,263 | 4,482,263 |
| A+ | — | — | — | — | 1,563,523 | 4,988,236 | 6,551,759 |
| A | — | — | — | — | 256,049 | 4,671,513 | 4,927,562 |
| A- | — | — | — | — | 516,033 | 14,345,154 | 14,861,187 |
| BBB+ | — | — | — | — | 1,031,009 | 1,536,183 | 2,567,192 |
| BBB | — | — | — | — | 511,503 | — | 511,503 |
| BBB- | — | — | — | — | 262,907 | — | 262,907 |
| NR | — | — | 2,332,198 | 36,255,147 | 5,706,001 | — | 44,293,346 |
| Total Investments | <u>\$ 47,091,438</u> | <u>\$ 100,410,425</u> | <u>\$ 2,332,198</u> | <u>\$ 36,666,797</u> | <u>\$ 9,847,025</u> | <u>\$ 30,537,807</u> | <u>\$ 226,885,690</u> |

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, 2022 and 2021, the following investments by issuer exceeded 5% of TMWA's total investments:

| | June 30, 2022 | |
|--|---------------|------|
| U.S. Treasuries | \$ 42,223,874 | 20 % |
| Federal National Mortgage Association | 41,670,375 | 20 % |
| Federal Home Loan Bank | 28,076,563 | 13 % |
| Federated Hermes Treasury Obligations | 20,862,354 | 10 % |
| Federal Home Loan Mortgage Corporation | 18,536,026 | 9 % |
| Federal Farm Credit Bank | 16,391,329 | 8 % |
| | June 30, 2021 | |
| U.S. Treasuries | \$ 47,091,438 | 22 % |
| Federal National Mortgage Association | 44,962,472 | 21 % |
| Federal Home Loan Bank | 30,014,306 | 14 % |
| Federated Hermes Treasury Obligations | 20,007,878 | 9 % |
| Federal Home Loan Mortgage Corporation | 15,013,246 | 7 % |

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 had the following recurring fair value measurements as of June 30, 2022:

| | 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 | \$ 42,223,874 | \$ 42,223,874 | \$ — |
| U.S. Agencies | 104,674,294 | — | 104,674,294 |
| Certificates of Deposit | 8,186,868 | — | 8,186,868 |
| Corporate Notes | 33,241,835 | — | 33,241,835 |
| | 188,326,871 | \$ 42,223,874 | \$ 146,102,997 |
| LGIP | 2,337,315 | | |
| Money Market Mutual Funds* | 35,281,891 | | |
| | <u>\$ 225,946,077</u> | | |

TMWA had the following recurring fair value measurements as of June 30, 2021:

| | 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 | \$ 47,091,438 | \$ 47,091,438 | \$ — |
| U.S. Agencies | 100,410,425 | — | 100,410,425 |
| Certificates of Deposit | 9,847,025 | — | 9,847,025 |
| Corporate Notes | 30,537,807 | — | 30,537,807 |
| | 187,886,695 | \$ 47,091,438 | \$ 140,795,257 |
| LGIP | 2,332,198 | | |
| Money Market Mutual Funds* | 36,666,797 | | |
| | <u>\$ 226,885,690</u> | | |

*Money market mutual funds are not held primarily for the purpose of income or profit and have remaining maturities at time of purchase of one year or less. Therefore, the money market mutual funds are recorded at amortized cost.

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.

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

Corporate Notes - Valued using institutional bond quotes based on various market and industry inputs.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2022 follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------|-----------------|-------------------|
| Capital assets, not being depreciated | | | | |
| Construction in progress | \$ 72,934,066 | \$ 38,431,559 | \$ (64,753,433) | \$ 46,612,192 |
| Land | 20,597,913 | 70,000 | (11,704) | 20,656,209 |
| Water rights | 110,596,859 | 138,437 | — | 110,735,296 |
| Total capital assets, not being depreciated | 204,128,838 | 38,639,996 | (64,765,137) | 178,003,697 |
| Capital assets, being depreciated | | | | |
| Distribution mains | 584,554,415 | 21,960,161 | — | 606,514,576 |
| Water treatment (plants) | 197,962,701 | 32,129,539 | — | 230,092,240 |
| Services | 164,492,384 | 6,399,346 | — | 170,891,730 |
| Pump stations | 72,990,794 | 2,757,849 | — | 75,748,643 |
| Treated water storage (tanks) | 97,588,855 | 1,756,392 | — | 99,345,247 |
| Wells | 77,220,811 | 1,832,704 | — | 79,053,515 |
| Pressure regulating stations | 18,173,356 | 2,647,172 | — | 20,820,528 |
| Canals | 44,748,769 | 23,978 | — | 44,772,747 |
| Reservoirs | 19,329,874 | — | — | 19,329,874 |
| Vehicles | 9,093,894 | 699,537 | (5,264) | 9,788,167 |
| Furniture and fixtures | 808,750 | 27,912 | — | 836,662 |
| Computer hardware and software | 4,816,805 | 7,292,612 | — | 12,109,417 |
| Equipment | 252,659 | — | — | 252,659 |
| Hydroelectric facilities | 29,936,210 | 5,273,192 | — | 35,209,402 |
| Administrative buildings | 16,197,903 | — | — | 16,197,903 |
| Total capital assets, being depreciated | 1,338,168,180 | 82,800,394 | (5,264) | 1,420,963,310 |
| Less accumulated depreciation: | | | | |
| Distribution mains | (150,448,700) | (10,810,116) | — | (161,258,816) |
| Water treatment (plants) | (103,667,406) | (6,054,952) | — | (109,722,358) |
| Services | (120,309,967) | (5,485,722) | — | (125,795,689) |
| Pump stations | (27,904,642) | (2,197,242) | — | (30,101,884) |
| Treated water storage (tanks) | (32,792,909) | (2,118,601) | — | (34,911,510) |
| Wells | (36,942,247) | (1,892,651) | — | (38,834,898) |
| Pressure regulating stations | (7,817,704) | (520,563) | — | (8,338,267) |
| Canals | (13,399,448) | (1,035,376) | — | (14,434,824) |
| Reservoirs | (7,889,954) | (447,734) | — | (8,337,688) |
| Vehicles | (5,961,038) | (1,006,679) | 2,444 | (6,965,273) |
| Furniture and fixtures | (694,197) | (33,875) | — | (728,072) |
| Computer hardware and software | (2,966,559) | (861,407) | — | (3,827,966) |
| Equipment | (189,014) | (9,155) | — | (198,169) |
| Hydroelectric facilities | (5,520,182) | (663,377) | — | (6,183,559) |
| Administrative buildings | (3,947,345) | (505,087) | — | (4,452,432) |
| Total accumulated depreciation | (520,451,312) | (33,642,537) | 2,444 | (554,091,405) |
| Total capital assets, being depreciated net | 817,716,868 | 49,157,857 | (2,820) | 866,871,905 |
| Total Capital Assets, Net | \$ 1,021,845,706 | \$ 87,797,853 | \$ (64,767,957) | \$ 1,044,875,602 |

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

Capital asset activity for the year ended June 30, 2021 follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|---------------|-----------------|-------------------|
| Capital assets, not being depreciated | | | | |
| Construction in progress | \$ 58,315,948 | \$ 38,766,080 | \$ (24,147,962) | \$ 72,934,066 |
| Land | 20,426,913 | 171,000 | — | 20,597,913 |
| Water rights | 109,727,790 | 869,069 | — | 110,596,859 |
| Total capital assets, not being depreciated | 188,470,651 | 39,806,149 | (24,147,962) | 204,128,838 |
| Capital assets, being depreciated | | | | |
| Distribution mains | 569,847,730 | 14,706,685 | — | 584,554,415 |
| Water treatment (plants) | 193,880,329 | 4,082,372 | — | 197,962,701 |
| Services | 159,286,289 | 5,206,095 | — | 164,492,384 |
| Pump stations | 71,254,852 | 1,735,942 | — | 72,990,794 |
| Treated water storage (tanks) | 95,800,589 | 1,788,266 | — | 97,588,855 |
| Wells | 75,787,614 | 1,433,197 | — | 77,220,811 |
| Pressure regulating stations | 17,718,078 | 455,278 | — | 18,173,356 |
| Canals | 44,725,494 | 23,275 | — | 44,748,769 |
| Reservoirs | 19,300,670 | 29,204 | — | 19,329,874 |
| Vehicles | 8,403,378 | 690,516 | — | 9,093,894 |
| Furniture and fixtures | 808,750 | — | — | 808,750 |
| Computer hardware and software | 3,960,114 | 856,691 | — | 4,816,805 |
| Equipment | 252,659 | — | — | 252,659 |
| Hydroelectric facilities | 31,383,763 | 30,832 | (1,478,385) | 29,936,210 |
| Administrative buildings | 14,432,121 | 1,765,782 | — | 16,197,903 |
| Total capital assets, being depreciated | 1,306,842,430 | 32,804,135 | (1,478,385) | 1,338,168,180 |
| Less accumulated depreciation: | | | | |
| Distribution mains | (139,920,888) | (10,527,812) | — | (150,448,700) |
| Water treatment (plants) | (97,637,923) | (6,029,483) | — | (103,667,406) |
| Services | (114,249,723) | (6,060,244) | — | (120,309,967) |
| Pump stations | (25,763,116) | (2,141,526) | — | (27,904,642) |
| Treated water storage (tanks) | (30,680,732) | (2,112,177) | — | (32,792,909) |
| Wells | (35,065,941) | (1,876,306) | — | (36,942,247) |
| Pressure regulating stations | (7,229,281) | (588,423) | — | (7,817,704) |
| Canals | (12,364,625) | (1,034,823) | — | (13,399,448) |
| Reservoirs | (7,372,231) | (517,723) | — | (7,889,954) |
| Vehicles | (5,000,814) | (960,224) | — | (5,961,038) |
| Furniture and fixtures | (655,745) | (38,452) | — | (694,197) |
| Computer hardware and software | (2,664,712) | (301,847) | — | (2,966,559) |
| Equipment | (179,859) | (9,155) | — | (189,014) |
| Hydroelectric facilities | (5,291,681) | (643,181) | 414,680 | (5,520,182) |
| Administrative buildings | (3,502,348) | (444,997) | — | (3,947,345) |
| Total accumulated depreciation | (487,579,619) | (33,286,373) | 414,680 | (520,451,312) |
| Total capital assets, being depreciated net | 819,262,811 | (482,238) | (1,063,705) | 817,716,868 |
| Total Capital Assets, Net | \$ 1,007,733,462 | \$ 39,323,911 | \$ (25,211,667) | \$ 1,021,845,706 |

Note 6 - Leases

TMWA has an agreement to lease a portion of its facilities to a third party. The agreement term began in 1998 and allowed for five 5-year renewal terms after the initial term expired in 2003. TMWA foresees continuing the lease through 2028. Rent was \$6,000 for the first year and is increased based on CPI every five years with the renewal of the lease. TMWA used a borrowing rate of 3.17% to recognize this lease under GASB 87, *Leases*. During the fiscal year ended June 30, 2022, TMWA recognized \$9,729 in lease revenue and \$1,850 in interest revenue related to this agreement. At June 30, 2022, TMWA reported \$57,871 in lease receivables and \$54,321 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement. During the fiscal year ended June 30, 2021, TMWA recognized \$9,729 in lease revenue and \$2,079 in interest revenue related to this agreement. At June 30, 2021, TMWA reported \$65,903 in lease receivables and \$64,050 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement.

TMWA has an agreement to lease a portion of its facilities to a third party. The agreement term began in 1998 and allowed for five 5-year renewal terms after the initial term expired in 2003. TMWA foresees continuing the lease through 2028. Rent was \$4,000 for the first year and is increased based on CPI every five years with the renewal of the lease. The third amendment to the agreement also added \$3,000 per year to the base rent. TMWA used a borrowing rate of 3.17% to recognize this lease under GASB 87, *Leases*. During the fiscal year ended June 30, 2022, TMWA recognized \$8,149 in lease revenue and \$988 in interest revenue related to this agreement. At June 30, 2022, TMWA reported \$29,297 in lease receivables and \$28,522 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement. During the fiscal year ended June 30, 2021, TMWA recognized \$8,149 in lease revenue and \$1,216 in interest revenue related to this agreement. At June 30, 2021, TMWA reported \$37,118 in lease receivables and \$36,671 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement.

TMWA has an agreement to lease a portion of its facilities to a third party. The agreement term began in 2000 and allowed for three 5-year renewal terms after the initial term expired in 2005. A first amendment to the agreement extended the term for another five years to 2025 and allows for two 5-year renewal terms after the contract expires in 2025. Rent was \$13,800 for the first year and was originally increased based on CPI every five years with the renewal of the lease. The first amendment to the agreement added \$3,600 per year to the base rent and specified that the yearly rent will increase by 10% upon the commencement of each extension term. TMWA used a borrowing rate of 2.78% to recognize this lease under GASB 87, *Leases*. During the fiscal year ended June 30, 2022, TMWA recognized \$19,995 in lease revenue and \$8,515 in interest revenue related to this agreement. At June 30, 2022, TMWA reported \$278,163 in lease receivables and \$269,936 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement. During the fiscal year ended June 30, 2021, TMWA recognized \$19,995 in lease revenue and \$8,955 in interest revenue related to this agreement. At June 30, 2021, TMWA reported \$291,619 in lease receivables and \$289,931 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement.

TMWA has an agreement to lease a portion of its land's air space to a third party. The agreement term began in 2007 and allowed for two 5-year renewal terms after the initial term expired in 2014. TMWA foresees continuing the lease through 2028. Rent was \$3,000 for the first year and is increased 2.5% each year. TMWA used a borrowing rate of 2.37% to recognize this lease under GASB 87, *Leases*. During the fiscal year ended June 30, 2022, TMWA recognized \$3,409 in lease revenue and \$213 in interest revenue related to this agreement. At June 30, 2022, TMWA reported \$4,355 in lease receivables and \$5,681 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement. During the fiscal year ended June 30, 2021, TMWA recognized \$3,409 in lease revenue and \$334 in interest revenue related to this agreement. At June 30, 2021, TMWA reported \$8,478 in lease receivables and \$9,090 in deferred inflows of resources, which will be recognized as revenue over the term of the lease, related to this agreement.

Annual payments expected to be received for TMWA's leases are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-------------------|------------------|-------------------|
| 2023 | \$ 35,938 | \$ 10,522 | \$ 46,460 |
| 2024 | 32,533 | 9,497 | 42,030 |
| 2025 | 33,501 | 8,479 | 41,980 |
| 2026 | 32,313 | 7,457 | 39,770 |
| 2027 | 28,780 | 6,577 | 35,357 |
| 2028-2032 | 106,740 | 22,655 | 129,395 |
| 2033-2037 | 99,861 | 5,869 | 105,730 |
| Total | <u>\$ 369,666</u> | <u>\$ 71,056</u> | <u>\$ 440,722</u> |

Note 7 - Long-Term Liabilities

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 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, and on September 5, 2017, TMWA redeemed \$9,200,000. 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. On September 4, 2018, TMWA redeemed \$6,500,000, on October 2, 2019, TMWA redeemed \$5,000,000. and on March 3, 2020, TMWA redeemed \$2,500,000. This left an outstanding balance of \$16,000,000 as of June 30, 2020. In the first half of fiscal year 2021, TMWA redeemed \$3,000,000 of the \$16,000,000 outstanding. The remaining \$13,000,000 was redeemed in June 2021 as part of the 2021 Subordinate Water Refunding Bonds (see below). TMWA has remaining authorization to issue \$53,600,000 as of June 30, 2022.

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. This loan is also subordinate to the 2005 DWSRF Bonds, the 2009A DWSRF ARRA Bonds, the 2010A DWSRF Bonds, the 2014 DWSRF Bonds, and the 2015B DWSRF 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 Statement 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 Statement 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.

On June 3, 2021, TMWA issued \$13,000,000 in Series 2021 Subordinate Water Revenue Refunding Bonds which constitute special limited obligations of TMWA. The Bonds were sold pursuant to a Continuing Covenant Agreement as a Direct Purchase to Wells Fargo Municipal Capital Strategies, LLC. The proceeds of the bond issue of \$13,000,000 were used to refund or redeem \$13,000,000 in maturities of TECP (see above). This transaction was executed to provide a fixed interest rate over the life of the refunding, which was effected by replacing variable rate TECP debt with fixed rate bonds. The provisions of the loan agreement require level, annual debt service for full repayment of the bonds through fiscal year 2028. This loan is subordinate to the senior lien 2015A Refunding Bonds, the 2016 Refunding Bonds, the 2017 Refunding Bonds and the 2018 Refunding Bonds.

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

The following schedules summarize the changes in long-term debt obligations as of June 30, 2022:

| | Final Maturity Date | Authorized | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 | Due in 2022-2023 |
|--------------------------------------|---------------------------|----------------------|-------------------------|-------------|----------------------|--------------------------|----------------------|
| Direct Borrowings | | | | | | | |
| 2005 - DWSRF Bonds 3.21% | 1/1/2025 | \$ 4,669,565 | \$ 1,254,482 | \$ — | \$ 298,802 | \$ 955,680 | \$ 308,470 |
| 2009 A - DWSRF ARRA Bonds 0.00% | 7/1/2029 | 2,401,120 | 1,051,184 | — | 123,669 | 927,515 | 123,668 |
| 2010 A - DWSRF Bonds 3.25% | 1/1/2030 | 4,381,614 | 2,615,367 | — | 254,555 | 2,360,812 | 262,896 |
| 2014 - DWSRF Bonds 2.81% | 1/1/2025 | 9,109,437 | 3,788,098 | — | 907,762 | 2,880,336 | 933,449 |
| 2015 B - DWSRF Bonds 2.62% | 7/1/2035 | 15,000,000 | 7,379,340 | — | 424,405 | 6,954,935 | 435,598 |
| 2021 - Refunding Bonds 1.19% | 6/1/2028 | 13,000,000 | 13,000,000 | — | 1,785,000 | 11,215,000 | 1,815,000 |
| | | 48,561,736 | 29,088,471 | — | 3,794,193 | 25,294,278 | 3,879,081 |
| Bonds Payable | | | | | | | |
| 2015 A - Refunding Bonds 2.00%-5.00% | 7/1/2036 | 28,750,000 | 24,290,000 | — | 995,000 | 23,295,000 | 1,055,000 |
| 2016 - Refunding Bonds 5.00% | 7/1/2037 | 124,790,000 | 124,790,000 | — | — | 124,790,000 | — |
| 2017 - Refunding Bonds 4.00%-5.00% | 7/1/2030 | 147,415,000 | 136,880,000 | — | 10,595,000 | 126,285,000 | 11,560,000 |
| 2018 - Refunding Bonds 5.00% | 7/1/2039 | 38,835,000 | 38,835,000 | — | — | 38,835,000 | — |
| | | 339,790,000 | 324,795,000 | — | 11,590,000 | 313,205,000 | 12,615,000 |
| Subtotal | | 388,351,736 | 353,883,471 | — | 15,384,193 | 338,499,278 | 16,494,081 |
| Plus unamortized net bond premium | | | 37,790,068 | — | 4,439,990 | 33,350,078 | |
| Total debt before TECP | | | 391,673,539 | — | 19,824,183 | 371,849,356 | |
| TECP | | 53,600,000 | — | — | — | — | — |
| Total Debt | | <u>\$441,951,736</u> | <u>\$391,673,539</u> | <u>\$ —</u> | <u>\$ 19,824,183</u> | <u>\$371,849,356</u> | <u>\$ 16,494,081</u> |

The following schedules summarize the changes in long-term debt obligations as of June 30, 2021:

| | Final Maturity Date | Authorized | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 | Due in 2021-2022 |
|--------------------------------------|---------------------------|----------------------|-------------------------|----------------------|----------------------|--------------------------|----------------------|
| Direct Borrowings | | | | | | | |
| 2005 - DWSRF Bonds 3.21% | 1/1/2025 | \$ 4,669,565 | \$ 1,543,918 | \$ — | \$ 289,436 | \$ 1,254,482 | \$ 298,802 |
| 2009 A - DWSRF ARRA Bonds 0.00% | 7/1/2029 | 2,401,120 | 1,174,853 | — | 123,669 | 1,051,184 | 123,669 |
| 2010 A - DWSRF Bonds 3.25% | 1/1/2030 | 4,381,614 | 2,861,847 | — | 246,480 | 2,615,367 | 254,555 |
| 2014 - DWSRF Bonds 2.81% | 1/1/2025 | 9,109,437 | 4,670,879 | — | 882,781 | 3,788,098 | 907,762 |
| 2015 B - DWSRF Bonds 2.62% | 7/1/2035 | 8,971,562 | 7,792,841 | — | 413,501 | 7,379,340 | 424,405 |
| 2021 - Refunding Bonds 1.19% | 6/1/2028 | 13,000,000 | — | 13,000,000 | — | 13,000,000 | 1,785,000 |
| | | 42,533,298 | 18,044,338 | 13,000,000 | 1,955,867 | 29,088,471 | 3,794,193 |
| Bonds Payable | | | | | | | |
| 2015 A - Refunding Bonds 2.00%-5.00% | 7/1/2036 | 28,750,000 | 25,260,000 | — | 970,000 | 24,290,000 | 995,000 |
| 2016 - Refunding Bonds 5.00% | 7/1/2037 | 124,790,000 | 124,790,000 | — | — | 124,790,000 | — |
| 2017 - Refunding Bonds 4.00%-5.00% | 7/1/2030 | 147,415,000 | 147,415,000 | — | 10,535,000 | 136,880,000 | 10,595,000 |
| 2018 - Refunding Bonds 5.00% | 7/1/2039 | 38,835,000 | 38,835,000 | — | — | 38,835,000 | — |
| | | 339,790,000 | 336,300,000 | — | 11,505,000 | 324,795,000 | 11,590,000 |
| Subtotal | | 382,323,298 | 354,344,338 | 13,000,000 | 13,460,867 | 353,883,471 | 15,384,193 |
| Plus unamortized net bond premium | | | 42,447,151 | — | 4,657,083 | 37,790,068 | |
| Total debt before TECP | | | 396,791,489 | 13,000,000 | 18,117,950 | 391,673,539 | |
| TECP | | 53,600,000 | 16,000,000 | — | 16,000,000 | — | — |
| Total Debt | | <u>\$435,923,298</u> | <u>\$412,791,489</u> | <u>\$ 13,000,000</u> | <u>\$ 34,117,950</u> | <u>\$391,673,539</u> | <u>\$ 15,384,193</u> |

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

| Year Ending June 30, | Direct Borrowings | | Bonds Payable | | Total Debt Service |
|----------------------|----------------------|---------------------|-----------------------|-----------------------|-----------------------|
| | Principal Payment | Interest Payment | Principal Payment | Interest Payment | |
| 2023 | \$ 3,879,081 | \$ 484,684 | \$ 12,615,000 | \$ 15,344,875 | \$ 32,323,640 |
| 2024 | 3,955,578 | 406,559 | 13,245,000 | 14,698,375 | 32,305,512 |
| 2025 | 4,038,730 | 326,481 | 13,920,000 | 14,019,250 | 32,304,461 |
| 2026 | 2,764,237 | 254,213 | 13,535,000 | 13,332,875 | 29,886,325 |
| 2027 | 2,806,146 | 209,873 | 15,355,000 | 12,610,625 | 30,981,644 |
| 2028-2032 | 5,806,564 | 532,224 | 94,615,000 | 50,294,625 | 151,248,413 |
| 2033-2037 | 2,043,942 | 108,496 | 112,430,000 | 21,585,250 | 136,167,688 |
| 2038-2041 | — | — | 37,490,000 | 2,599,750 | 40,089,750 |
| Total | <u>\$ 25,294,278</u> | <u>\$ 2,322,530</u> | <u>\$ 313,205,000</u> | <u>\$ 144,485,625</u> | <u>\$ 485,307,433</u> |

Compensated Absences

The following schedules summarize the changes in the compensated absences liability as of June 30, 2022 and 2021:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Next Fiscal Year |
|-------------------------------------|-------------------|--------------|--------------|----------------|----------------------|
| 2022 Compensated absences liability | \$ 3,524,440 | \$ 2,952,403 | \$ 3,167,171 | \$ 3,309,672 | \$ 525,397 |
| 2021 Compensated absences liability | \$ 2,627,468 | \$ 3,435,800 | \$ 2,538,828 | \$ 3,524,440 | \$ 595,774 |

Note 8 - 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.

Restricted for water resource sustainability: Adopted by the TMWA Board in January 2019, this restriction replaced the water meter retrofit program and was created to segregate the portion of net position derived from contributions made by developers to fund certain projects that are intended to benefit TMWA's long-term water resources sustainability.

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 \$1,544,050 and \$2,554,388 as of June 30, 2022 and 2021, respectively, is included in the amount restricted for renewal and replacement.

Board Designation

On September 19, 2018, the Board adopted a resolution to designate 3% of total projected water sales for the most recent three year forecast as a rate stabilization fund. This amount was \$10,422,851 and \$9,596,733 as of June 30, 2022 and 2021, respectively. This designation is not reflected as restricted net position but is considered a designated portion of unrestricted net position.

Note 9 - 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.

Note 10 - 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 significant 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 11 - 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 entering PERS prior to January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 60 with ten 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 ten 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 thirty-three and a third 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 29.75% and 29.25% for fiscal years June 30, 2022 and 2021, respectively.

TMWA's contributions were \$3,496,584 and \$3,277,098 for the years ended June 30, 2022 and 2021, 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, 2021:

| | Target Allocation | Long-Term Geometric Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic Equity | 42% | 5.50% |
| International Equity | 18% | 5.50% |
| Domestic Fixed Income | 28% | 0.75% |
| Private Markets | 12% | 6.65% |

The following was the PERS Board adopted policy target asset allocation as of June 30, 2020:

| | Target Allocation | Long-Term Geometric Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic Equity | 42% | 5.50% |
| International Equity | 18% | 5.50% |
| Domestic Fixed Income | 28% | 0.75% |
| Private Markets | 12% | 6.65% |

Net Pension Liability

At June 30, 2022, TMWA reported a liability for its proportionate share of the net pension liability of \$28,552,406. The net pension liability was measured as of June 30, 2021, 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, 2021, TMWA reported a liability for its proportionate share of the net pension liability of \$42,191,934. The net pension liability was measured as of June 30, 2020, 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, 2021 and 2020, TMWA's proportion was 0.3131 and 0.3029 percent, respectively, representing an increase of 0.0102 percent and an increase of 0.0053 percent from its proportion measured at June 30, 2020 and 2019, respectively.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of TMWA measured as of June 30, 2021 and 2020, calculated using the discount rate of 7.25% and 7.50%, 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 (6.25%) | Discount Rate (7.25%) | 1% Increase in Discount Rate (8.25%) |
|--------------------------------------|--|--------------------------|--|
| Net Pension Liability, June 30, 2021 | \$ 56,846,925 | \$ 28,552,406 | \$ 5,211,743 |
| | 1% Decrease in Discount Rate (6.50%) | Discount Rate (7.50%) | 1% Increase in Discount Rate (8.50%) |
| Net Pension Liability, June 30, 2020 | \$ 65,803,116 | \$ 42,191,934 | \$ 22,560,991 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS ACFR, available on the PERS website, www.nvpers.org.

Actuarial Assumptions

TMWA's June 30, 2022 net pension liability was measured as of June 30, 2021, 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, 2021 net pension liability was measured as of June 30, 2020, 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, 2021 | June 30, 2020 |
|----------------------------|---|---|
| Inflation Rate | 2.50% | 2.75% |
| Payroll Growth | 3.50% including inflation | 5.50% including inflation |
| Investment Rate of Return | 7.25% | 7.50% |
| Productivity Pay Increase | 0.50% | 0.50% |
| Projected Salary Increases | 4.20% to 9.10%, depending on service. Rates include inflation and productivity increases. | 4.25% to 9.15%, depending on service. Rates include inflation and productivity increases. |
| Consumer Price Index | 2.50% | 2.75% |
| Other Assumptions | Same as those used in the June 30, 2021 funding actuarial valuation | Same as those used in the June 30, 2020 funding actuarial valuation |

For the year ended June 30, 2021, mortality rates for non-disabled regular members were based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table with rates increased by 30% for males and 15% for females, projected generationally with the two-dimensional monthly improvement scale MP-2020. Mortality rates for disabled regular members were based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with rates increased by 20% for males and 15% for females, projected generationally with the two-dimensional mortality improvement scale MP-2020.

For the year ended June 30, 2020, mortality rates for non-disabled regular members were based on the RP-2014 Combined Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members is the RP-2014 Disabled Retiree Table, set forward four years.

Actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the results of the experience reviews issued September 10, 2021 and October 16, 2017, respectively.

The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. 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, 2021 and June 30, 2020.

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

For the years ended June 30, 2022 and 2021, TMWA recognized pension expense of \$4,812,879 and \$8,725,471, respectively.

At June 30, 2022, 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 | \$ 3,162,740 | \$ 200,941 |
| Changes in assumptions or other inputs | 9,479,892 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 23,297,856 |
| Changes in TMWA's proportion and differences between TMWA's contributions and TMWA's proportionate contributions | 3,807,433 | 211,760 |
| TMWA contributions subsequent to the measurement date | 3,496,584 | — |
| | <u>\$ 19,946,649</u> | <u>\$ 23,710,557</u> |

Deferred outflows of resources of \$3,496,584 resulted from TMWA contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

At June 30, 2021, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 1,310,874 | \$ 544,800 |
| Changes in assumptions or other inputs | 1,185,126 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 1,593,833 |
| Changes in TMWA's proportion and differences between TMWA's contributions and TMWA's proportionate contributions | 4,356,809 | 307,146 |
| TMWA contributions subsequent to the measurement date | 3,277,098 | — |
| | <u>\$ 10,129,907</u> | <u>\$ 2,445,779</u> |

Deferred outflows of resources of \$3,277,098 resulted from TMWA contributions subsequent to the measurement date, and were recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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, 2020 (the beginning of the measurement period ended June 30, 2021) is 6.14 years.

Other estimated amounts reported by TMWA as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2022 will be recognized in pension expense as follows:

| | |
|----------------------|----------------|
| Year ending June 30, | |
| 2023 | \$ (1,876,189) |
| 2024 | (2,558,950) |
| 2025 | (2,568,942) |
| 2026 | (2,982,399) |
| 2027 | 2,395,948 |
| Thereafter | 330,040 |

Additional Information

The PERS ACFR includes additional information including information supporting the schedule of employer allocations and the schedule of pension amounts by employer. This report 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, 2022 and June 30, 2021, TMWA had matching contributions totaling \$1,550,717, and \$1,473,019, respectively.

Note 12 - 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 subsequent new hires until the plan closed, effective December 13, 2018. 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, 2022 for both plans is as follows:

| | §501(c)(9) Plan | §115 Plan |
|--|-----------------|-----------|
| Retirees currently receiving benefits | 62 | 7 |
| Retirees entitled to, but not yet receiving benefits | 1 | 1 |
| Active plan members | 161 | 14 |
| Total | 224 | 22 |

Census data as of June 30, 2021 for both plans is as follows:

| | §501(c)(9) Plan | §115 Plan |
|--|-----------------|-----------|
| Retirees currently receiving benefits | 51 | 7 |
| Retirees entitled to, but not yet receiving benefits | 1 | 1 |
| Active plan members | 179 | 14 |
| Total | 231 | 22 |

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, 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. Effective December 13, 2018, the Board adopted a resolution to close the Plan to employees hired after December 13, 2018. Existing employees and plan participants currently receiving benefits were not impacted by this resolution. 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 hired prior to December 14, 2018. 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 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 age 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. 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. 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 two employee classifications eligible for benefits in this plan: Tier I and Tier II classifications.

For Tier I 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 §115 Plan 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 §115 Plan 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 §115 Plan will be 100% of the premium for coverage of such retiree under the benefit plans.

Tier I retirees who have attained the Medicare Eligibility Age (currently age 65) during a plan year must enroll in and pay the cost of Medicare Part “A” and Medicare Part “B” or Medicare Part “C” coverage, and the §115 Plan 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 retirees the maximum benefits to be paid by the §115 Plan who have not attained Medicare Eligibility Age (currently age 65) is to be the same amount as 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 Insurance 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 §115 Plan towards their coverage under the employer Benefit Plans rather than the PEBP Retiree Health Plan.

Tier II retirees who have attained the Medicare Eligibility Age (currently age 65) or older will instead receive benefits equal to 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. 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 §115 Plan based on the ADC each year.

OPEB Expense and Net Position

Total OPEB Expense (Benefit) recognized for fiscal years June 30, 2022 and 2021 is below:

| | §501(c)(9) Plan | §115 Plan | Total |
|------|-----------------|-------------|----------------|
| 2022 | \$ (1,059,573) | \$ (13,529) | \$ (1,073,102) |
| 2021 | \$ (582,026) | \$ 19,979 | \$ (562,047) |

Changes in Net Position for each plan for the measurement period ended December 31, 2021 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, 2021 | \$ 10,592,743 | \$ 14,041,609 | \$ (3,448,866) | \$ 2,043,999 | \$ 1,496,256 | \$ 547,743 |
| <i>Measurement Date - December 31, 2020</i> | | | | | | |
| Changes During the Period: | | | | | | |
| Service Cost | 229,280 | — | 229,280 | 35,820 | — | 35,820 |
| Interest Cost | 636,038 | — | 636,038 | 122,661 | — | 122,661 |
| Expected Investment Income | — | 830,396 | (830,396) | — | 90,749 | (90,749) |
| Employer Contributions | — | 63,156 | (63,156) | — | 117,922 | (117,922) |
| Auditing Fees | — | (18,775) | 18,775 | — | (14,000) | 14,000 |
| Investment & Administrative Fees | — | (4,938) | 4,938 | — | (517) | 517 |
| Retiree Contributions In | — | 110,022 | (110,022) | — | 23,102 | (23,102) |
| Retiree Contributions Out | — | (110,022) | 110,022 | — | (23,102) | 23,102 |
| Benefit Payments | (442,780) | (442,780) | — | (70,936) | (70,936) | — |
| Assumption Changes | (271,660) | — | (271,660) | (39,674) | — | (39,674) |
| Plan Experience | (760,853) | — | (760,853) | 61,652 | — | 61,652 |
| Investment Experience | — | 1,538,814 | (1,538,814) | — | 157,324 | (157,324) |
| Net Changes | (609,975) | 1,965,873 | (2,575,848) | 109,523 | 280,542 | (171,019) |
| Balance at Fiscal Year Ending June 30, 2022 | \$ 9,982,768 | \$ 16,007,482 | \$ (6,024,714) | \$ 2,153,522 | \$ 1,776,798 | \$ 376,724 |
| <i>Measurement Date - December 31, 2021</i> | | | | | | |

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

Changes in Net Position for each plan for the measurement period ended December 31, 2020 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, 2020 <i>Measurement Date - December 31, 2019</i> | \$ 10,118,664 | \$ 12,444,083 | \$ (2,325,419) | \$ 1,950,233 | \$ 1,289,663 | \$ 660,570 |
| Changes During the Period: | | | | | | |
| Service Cost | 222,602 | — | 222,602 | 34,777 | — | 34,777 |
| Interest Cost | 609,728 | — | 609,728 | 117,350 | — | 117,350 |
| Expected Investment Income | — | 739,192 | (739,192) | — | 77,772 | (77,772) |
| Employer Contributions | — | 131,267 | (131,267) | — | 85,743 | (85,743) |
| Auditing Fees | — | (18,490) | 18,490 | — | (14,000) | 14,000 |
| Investment & Administrative Fees | — | (2,954) | 2,954 | — | (306) | 306 |
| Retiree Contributions In | — | 111,103 | (111,103) | — | 22,947 | (22,947) |
| Retiree Contributions Out | — | (111,103) | 111,103 | — | (22,947) | 22,947 |
| Benefit Payments | (358,251) | (358,251) | — | (58,361) | (58,361) | — |
| Investment Experience | — | 1,106,762 | (1,106,762) | — | 115,745 | (115,745) |
| Net Changes | 474,079 | 1,597,526 | (1,123,447) | 93,766 | 206,593 | (112,827) |
| Balance at Fiscal Year Ending June 30, 2021 <i>Measurement Date - December 31, 2020</i> | \$ 10,592,743 | \$ 14,041,609 | \$ (3,448,866) | \$ 2,043,999 | \$ 1,496,256 | \$ 547,743 |

A schedule of the plans' deferred resources as of June 30, 2022 is below:

| | §501(c)(9) Plan | | §115 Plan | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of Assumptions | \$ 205,156 | \$ 241,709 | \$ 24,305 | \$ 31,787 |
| Differences Between Expected and Actual Experience | — | 2,046,058 | 49,395 | 98,532 |
| Net Difference Between Projected and Actual Earnings on Investments | — | 2,334,038 | — | 236,909 |
| Contributions Made Subsequent to the Measurement Date | 76,037 | — | 56,295 | — |
| Total | \$ 281,193 | \$ 4,621,805 | \$ 129,995 | \$ 367,228 |

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

A schedule of the plans' deferred resources as of June 30, 2021 is below:

| | §501(c)(9) Plan | | §115 Plan | |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes of Assumptions | \$ 237,362 | \$ — | \$ 30,963 | \$ — |
| Differences Between Expected and Actual Experience | — | 1,584,020 | — | 125,527 |
| Net Difference Between Projected and Actual Earnings on Investments | — | 1,616,872 | — | 159,396 |
| Contributions Made Subsequent to the Measurement Date | 59,696 | — | 86,813 | — |
| Total | <u>\$ 297,058</u> | <u>\$ 3,200,892</u> | <u>\$ 117,776</u> | <u>\$ 284,923</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, 2022 is shown below.

| | §501(c)(9) Plan | §115 Plan |
|---------------------|---|---|
| | Deferred Inflows Recognized in OPEB Expense | Deferred Inflows Recognized in OPEB Expense |
| Year ended June 30, | | |
| 2023 | \$ 927,286 | \$ 80,541 |
| 2024 | 1,162,993 | 102,224 |
| 2025 | 825,677 | 70,581 |
| 2026 | 604,322 | 40,310 |
| 2027 | 296,560 | (128) |
| Thereafter | 599,811 | — |

Actuarial Valuation Assumptions

The total OPEB liability as of December 31, 2021 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 |
|---------------------|------------------|---------------------|------------------|
| 2022 | Actual | 2050-2059 | 4.6% |
| 2023 | 5.8% | 2060-2066 | 4.5% |
| 2024 | 5.6% | 2067-2068 | 4.4% |
| 2025 | 5.4% | 2069-2070 | 4.3% |
| 2026-2027 | 5.2% | 2071 | 4.2% |
| 2028-2029 | 5.1% | 2072-2073 | 4.1% |
| 2030-2038 | 5.0% | 2074-2075 | 4.0% |
| 2039 | 4.9% | 2076 | 3.9% |
| 2040-2043 | 4.8% | Thereafter | 3.9% |
| 2044-2049 | 4.7% | | |

The total OPEB liability as of December 31, 2020 was determined using the following actuarial assumptions. Healthcare trend rate (both plans) - TMWA plan medical premiums and per capita claims costs were assumed to increase at the following rates:

| Effective January 1 | Premium Increase | Effective January 1 | Premium Increase |
|------------------------|---------------------|------------------------|---------------------|
| 2020 | Actual | 2050-2053 | 5.0% |
| 2021 | 7.0% | 2054-2059 | 4.9% |
| 2022 | 6.5% | 2060-2066 | 4.8% |
| 2023 | 6.0% | 2067 | 4.7% |
| 2024 | 5.9% | 2068 | 4.6% |
| 2025 | 5.8% | 2069 | 4.5% |
| 2026 | 5.6% | 2070-2071 | 4.4% |
| 2027 | 5.5% | 2072 | 4.3% |
| 2028 | 5.4% | 2073-2074 | 4.2% |
| 2029-2046 | 5.3% | 2075 | 4.1% |
| 2047 | 5.2% | 2076 | 4.0% |
| 2048-2049 | 5.1% | Thereafter | 4.0% |

Additional significant assumptions are listed below for each plan:

| Assumption | §501(c)(9) Plan | §115 Plan |
|--|--|--|
| Valuation Date | December 31, 2021 | December 31, 2021 |
| Funding Method | Entry Age Normal Cost, level percent of pay | Entry Age Normal Cost, level percent of pay |
| Asset Valuation Method | Fair value of assets | Fair value of assets |
| Mortality | In fiscal year 2022, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2022 on a generational basis from 2010 forward. In fiscal year 2020, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2018 on a generational basis from 2015 forward. | In fiscal year 2022, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2022 on a generational basis from 2010 forward. In fiscal year 2020, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2018 on a generational basis from 2015 forward. |
| Long-Term Return on Assets and Discount Rate | 6.0% net of plan investment and trust expenses | 6.0% net of plan investment and trust expenses |
| Participants Valued | Only current active employees and retired participants and covered dependents are valued. This plan is now closed. | Only current active employees and retired participants and covered dependents are valued. This plan is now closed. |
| Salary Increase | 3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years. | 3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years. |
| General Inflation Rate | 2.5% per year | 2.5% per year |
| Medicare Eligibility | Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 65. Retirees over age 65 who are not eligible for Medicare are assumed to remain ineligible. | Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 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> |

Truckee Meadows Water Authority
Notes to Financial Statements
June 30, 2022 and 2021

GASB Statement No. 75 allows reporting liabilities as of any fiscal year end based on: (1) a *valuation date* no more than 30 months plus 1 day prior to the close of the fiscal year end; and (2) a *measurement date* up to one year prior to the close of the fiscal year. The following dates were used for this report:

| | |
|--------------------|--------------------------------------|
| Fiscal Year End | June 30, 2022 |
| Measurement Date | December 31, 2021 |
| Measurement Period | January 1, 2021 to December 31, 2021 |
| Valuation Date | December 31, 2021 |
| | |
| Fiscal Year End | June 30, 2021 |
| Measurement Date | December 31, 2020 |
| Measurement Period | January 1, 2020 to December 31, 2020 |
| Valuation Date | December 31, 2019 |

The discount rates used for the fiscal years ended June 30, 2022 and 2021 is 6.0%. The Healthcare Cost Trend Rate for the fiscal year ended June 30, 2022 was assumed to start at 5.8% (increase effective January 1, 2023) and grade down to 3.9% for years 2076 and later. The Healthcare Cost Trend Rate for the fiscal year ended June 30, 2021 was assumed to start at 7.0% (increase effective January 1, 2021) and grade down to 4.0% for years 2076 and later. The impact of a 1% increase or decrease in these assumptions is shown in the charts below.

Measurement Date - December 31, 2021

| | | | | | | |
|----------------------------|----------------|----------------|----------------|------------------------|----------------|----------------|
| §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 | \$ 11,064,599 | \$ 9,982,768 | \$ 9,053,453 | \$ 9,253,113 | \$ 9,982,768 | \$ 10,845,164 |
| Net OPEB Liability (Asset) | \$ (4,942,883) | \$ (6,024,714) | \$ (6,954,029) | \$ (6,754,369) | \$ (6,024,714) | \$ (5,162,318) |
| §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 | \$ 2,446,297 | \$ 2,153,522 | \$ 1,910,236 | \$ 1,900,842 | \$ 2,153,522 | \$ 2,459,906 |
| Net OPEB Liability (Asset) | \$ 669,499 | \$ 376,724 | \$ 133,438 | \$ 124,044 | \$ 376,724 | \$ 683,108 |

Measurement Date - December 31, 2020

| | | | | | | |
|----------------------------|----------------|----------------|----------------|------------------------|----------------|----------------|
| §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 | \$ 11,809,700 | \$ 10,592,743 | \$ 9,556,963 | \$ 9,709,226 | \$ 10,592,743 | \$ 11,648,321 |
| Net OPEB Liability (Asset) | \$ (2,231,909) | \$ (3,448,866) | \$ (4,484,646) | \$ (4,332,383) | \$ (3,448,866) | \$ (2,393,288) |
| §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 | \$ 2,333,010 | \$ 2,043,999 | \$ 1,804,821 | \$ 1,783,527 | \$ 2,043,999 | \$ 2,365,624 |
| Net OPEB Liability (Asset) | \$ 836,754 | \$ 547,743 | \$ 308,565 | \$ 287,271 | \$ 547,743 | \$ 869,368 |

OPEB Plans Fiduciary Net Position

Detailed information about the OPEB plans fiduciary net position are available in separately issued financial statements and can be requested by contacting TMWA's Finance Department at P.O. Box 30013, Reno, NV 89509-3013.

Note 13 - Commitments

TMWA has committed \$800,000 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 July 2022.

TMWA has committed \$500,000 as a contribution to the National Forest Foundation for the purpose of funding a forest-thinning project east of Stampede Reservoir, where TMWA stores water. The project aims to mitigate the risk of catastrophic fire in the area, which would ultimately threaten TMWA's water supply and quality. TMWA made a \$250,000 payment in August 2022 and expects to make a final \$250,000 payment by July 2023.

Note 14 - Restatements

GASB Statement No. 87, *Leases*

As of July 1, 2021, TMWA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain right to use lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard also requires lessors to recognize a lease receivable and deferred inflow of resources. Following the implementation of GASB Statement No. 87, amounts previously reported for the year ended June 30, 2021 were restated as follows:

| | As Originally Stated | As Restated | Increase (Decrease) |
|--|-------------------------|---------------|------------------------|
| Statement of Net Position | | | |
| Accounts receivable, net | \$ 16,679,024 | \$ 16,712,476 | \$ 33,452 |
| Interest receivable | 809,628 | 815,015 | 5,387 |
| Other noncurrent assets | 837,284 | 1,206,948 | 369,664 |
| Deferred inflow of resources - leases | — | 399,741 | 399,741 |
| Unrestricted net position | 114,365,522 | 114,374,286 | 8,764 |
| Statement of Revenues, Expenses, and Changes in Net Position | | | |
| Other operating sales | 2,803,513 | 2,799,694 | (3,819) |
| Investment earnings | 2,550,864 | 2,563,447 | 12,583 |
| Change in net position | 44,423,024 | 44,431,788 | 8,764 |
| Statement of Cash Flows | | | |
| Cash received from customers | 113,568,616 | 113,523,515 | (45,101) |
| Cash received on lease receivables | — | 37,905 | 37,905 |
| Cash received for interest on lease receivables | — | 7,196 | 7,196 |

Statements of Cash Flows

In prior years, TMWA's cash flow statements included amounts in cash and cash equivalents not meeting the definition of cash and cash equivalents as provided for by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. GASB Statement No. 9 states that amounts should be included as cash equivalents when they are 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. TMWA holds certain investments that have been determined to not meet both of these criteria. Therefore, TMWA corrected beginning cash and cash equivalents at July 1, 2020 to exclude investments not meeting its cash equivalents definition. This change resulted in a restatement of beginning cash and cash equivalents reported in the cash flow statement as follows:

| | <u>Total</u> |
|---|-----------------------------|
| Cash and cash equivalents on July 1, 2020, as previously reported | \$ 205,759,049 |
| Adjustment to correct misstatement | <u>(192,797,128)</u> |
| Cash and cash equivalents on July 1, 2020, as restated | <u><u>\$ 12,961,921</u></u> |

Note 15 - Subsequent Events

In November 2022, TMWA paid \$1 million to Fish Springs Ranch, LLC (FSR) under a Water Resource Purchase Agreement effective March 2022. The agreement allows for TMWA to purchase from FSR 400 acre-feet of water rights for a total purchase price of \$10 million, payable in ten \$1 million tranches over 10 years.

Required Supplementary Information
Truckee Meadows Water Authority

Truckee Meadows Water Authority
Schedules of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|
| §501(c)(9) Plan | | | | | | |
| <u>Total OPEB Liability</u> | | | | | | |
| Service Cost | \$ 229,280 | \$ 222,602 | \$ 307,252 | \$ 295,437 | \$ 284,073 | \$ 273,146 |
| Interest | 636,038 | 609,728 | 682,186 | 648,751 | 612,850 | 576,050 |
| Changes of benefit terms ⁽¹⁾ | — | — | — | — | — | — |
| Differences between expected and actual experience | (760,853) | — | (2,013,876) | — | — | — |
| Changes of assumptions ⁽²⁾ | (271,660) | — | 301,774 | — | — | — |
| Benefit payments | (442,780) | (358,251) | (442,363) | (355,168) | (264,699) | (228,880) |
| Total OPEB Liability - Beginning | 10,592,743 | 10,118,664 | 11,283,691 | 10,694,671 | 10,062,447 | 9,442,131 |
| Total OPEB Liability - Ending | \$ 9,982,768 | \$ 10,592,743 | \$ 10,118,664 | \$ 11,283,691 | \$ 10,694,671 | \$ 10,062,447 |
| <u>Plan Fiduciary Net Position</u> | | | | | | |
| Contributions - employer | \$ 63,156 | \$ 131,267 | \$ 258,430 | \$ 324,529 | \$ 445,063 | \$ 244,429 |
| Net investment income | 2,369,210 | 1,845,954 | 2,301,207 | (524,654) | 1,515,031 | 536,863 |
| Benefit payments | (442,780) | (358,251) | (442,363) | (355,168) | (264,699) | (228,880) |
| Auditing fees | (18,775) | (18,490) | (12,600) | (18,545) | (15,500) | (12,900) |
| Investment & administrative fees | (4,938) | (2,954) | (3,206) | (3,441) | (2,612) | (2,490) |
| Legal fees | — | — | (1,750) | (5,250) | (19,268) | (1,663) |
| Retiree contributions in | 110,022 | 111,103 | 103,249 | 117,015 | 93,172 | 90,145 |
| Retiree contributions out | (110,022) | (111,103) | (103,249) | (117,015) | (93,172) | (90,145) |
| Net change in plan fiduciary net position | 1,965,873 | 1,597,526 | 2,099,718 | (582,529) | 1,658,015 | 535,359 |
| Plan fiduciary net position - beginning | 14,041,609 | 12,444,083 | 10,344,365 | 10,926,894 | 9,268,879 | 8,733,520 |
| Plan fiduciary net position - ending | \$ 16,007,482 | \$ 14,041,609 | \$ 12,444,083 | \$ 10,344,365 | \$ 10,926,894 | \$ 9,268,879 |
| Net OPEB liability (asset) - ending | \$ (6,024,714) | \$ (3,448,866) | \$ (2,325,419) | \$ 939,326 | \$ (232,223) | \$ 793,568 |
| Plan fiduciary net position as a percentage of total OPEB liability | 160.4 % | 132.6 % | 123.0 % | 91.7 % | 102.2 % | 92.1 % |
| Covered-employee payroll, as of 12/31 measurement date | \$ 21,664,461 | \$ 19,385,303 | \$ 21,658,320 | \$ 20,674,304 | \$ 18,517,678 | \$ 17,467,908 |
| Net OPEB liability (asset) as a percentage of covered-employee payroll | (27.8)% | (17.8)% | (10.7)% | 4.5 % | (1.3)% | 4.5 % |

Notes to Schedule

*Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

⁽¹⁾ Effective December 13, 2018, the Board adopted a resolution to close the Plan to employees hired on or after December 13, 2018.

⁽²⁾ In 2022, mortality tables were updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2022. The healthcare cost trend rate was assumed to start at 5.8% (increase effective January 1, 2023) and grade down to 3.9% for years 2076 and later. Previously, the healthcare cost trend rate was assumed to start at 7.0% (increase effective January 1, 2021) and grade down to 4.0% for years 2076 and later. In 2020, mortality tables were updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2018; and the medical trend model was updated from combined sources, Nevada Public Employee Benefit Plan along with other healthcare trends, to the Getzen healthcare trend model.

Truckee Meadows Water Authority
Schedules of Changes in Net OPEB Liability and Related Ratios
Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| §115 Plan | | | | | | |
| <u>Total OPEB Liability</u> | | | | | | |
| Service Cost | \$ 35,820 | \$ 34,777 | \$ 59,239 | \$ 56,960 | \$ 54,769 | \$ 52,663 |
| Interest | 122,661 | 117,350 | 119,591 | 111,978 | 103,644 | 94,941 |
| Changes of benefit terms | — | — | — | — | — | — |
| Differences between expected and actual experience | 61,652 | — | (179,517) | — | — | — |
| Changes of assumptions ⁽¹⁾ | (39,674) | — | 44,279 | — | — | — |
| Benefit payments | (70,936) | (58,361) | (54,605) | (34,065) | (9,334) | — |
| Total OPEB Liability - Beginning | <u>2,043,999</u> | <u>1,950,233</u> | <u>1,961,246</u> | <u>1,826,373</u> | <u>1,677,294</u> | <u>1,529,690</u> |
| Total OPEB Liability - Ending | <u>\$ 2,153,522</u> | <u>\$ 2,043,999</u> | <u>\$ 1,950,233</u> | <u>\$ 1,961,246</u> | <u>\$ 1,826,373</u> | <u>\$ 1,677,294</u> |
| <u>Plan Fiduciary Net Position</u> | | | | | | |
| Contributions - employer | \$ 117,922 | \$ 85,743 | \$ 121,798 | \$ 119,366 | \$ 103,441 | \$ 151,176 |
| Net investment income | 248,073 | 193,517 | 220,823 | (46,458) | 126,004 | 35,423 |
| Benefit payments | (70,936) | (58,361) | (54,605) | (34,065) | (9,334) | — |
| Auditing fees | (14,000) | (14,000) | (12,100) | (13,690) | (6,000) | (8,900) |
| Investment & administrative fees | (517) | (306) | (315) | (770) | (780) | (675) |
| Legal fees | — | — | (4,288) | (5,864) | (788) | (1,138) |
| Retiree contributions in | 23,102 | 22,947 | 21,302 | 5,244 | 930 | — |
| Retiree contributions out | (23,102) | (22,947) | (21,302) | (5,244) | (930) | — |
| Net change in plan fiduciary net position | <u>280,542</u> | <u>206,593</u> | <u>271,313</u> | <u>18,519</u> | <u>212,543</u> | <u>175,886</u> |
| Plan fiduciary net position - beginning | <u>1,496,256</u> | <u>1,289,663</u> | <u>1,018,350</u> | <u>999,831</u> | <u>787,288</u> | <u>611,402</u> |
| Plan fiduciary net position - ending | <u>\$ 1,776,798</u> | <u>\$ 1,496,256</u> | <u>\$ 1,289,663</u> | <u>\$ 1,018,350</u> | <u>\$ 999,831</u> | <u>\$ 787,288</u> |
| Net OPEB liability - ending | <u>\$ 376,724</u> | <u>\$ 547,743</u> | <u>\$ 660,570</u> | <u>\$ 942,896</u> | <u>\$ 826,542</u> | <u>\$ 890,006</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 82.5 % | 73.2 % | 66.1 % | 51.9 % | 54.7 % | 46.9 % |
| Covered-employee payroll, as of 12/31 measurement date | <u>\$ 1,593,312</u> | <u>\$ 1,558,683</u> | <u>\$ 1,688,340</u> | <u>\$ 1,954,488</u> | <u>\$ 1,951,733</u> | <u>\$ 1,992,447</u> |
| Net OPEB liability as a percentage of covered-employee payroll | 23.6 % | 35.1 % | 39.1 % | 48.2 % | 42.3 % | 44.7 % |

Notes to Schedule

*Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

⁽¹⁾In fiscal year 2022, mortality tables were updated from MacLeod Watts Scale 2018 to MacLeod Watts Scale 2022. The healthcare cost trend rate was assumed to start at 5.8% (increase effective January 1, 2023) and grade down to 3.9% for years 2076 and later. Previously, the healthcare cost trend rate was assumed to start at 7.0% (increase effective January 1, 2021) and grade down to 4.0% for years 2076 and later. In fiscal year 2020, mortality tables were updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2018; and the medical trend model was updated from combined sources, Nevada Public Employee Benefit Plan along with other healthcare trends, to the Getzen healthcare trend model.

Truckee Meadows Water Authority
Schedules of OPEB Contributions
Last Ten Fiscal Years*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|------------|------------|------------|
| §501(c)(9) Plan | | | | | | |
| Actuarially Determined Contribution | \$ 63,677 | \$ 56,323 | \$ 50,113 | \$ 298,077 | \$ 284,882 | \$ 445,063 |
| Contributions in relation to the actuarially determined contribution | 76,785 | 60,499 | 127,724 | 258,430 | 324,529 | 445,063 |
| Contribution deficiency (excess) | (13,108) | (4,176) | (77,611) | 39,647 | (39,647) | — |
| Covered-employee payroll | 21,319,564 | 21,850,032 | 21,402,817 | 21,538,008 | 19,282,157 | 17,924,948 |
| Contributions as a percentage of covered employee payroll | 0.4 % | 0.3 % | 0.6 % | 1.2 % | 1.7 % | 2.5 % |
| §115 Plan | | | | | | |
| Actuarially Determined Contribution | \$ 87,404 | \$ 86,813 | \$ 85,743 | \$ 121,798 | \$ 119,366 | \$ 103,441 |
| Contributions in relation to the actuarially determined contribution | 87,404 | 101,635 | 70,921 | 121,798 | 119,366 | 103,441 |
| Contribution deficiency (excess) | — | (14,822) | 14,822 | — | — | — |
| Covered-employee payroll | 1,618,829 | 1,679,850 | 1,714,076 | 1,841,575 | 1,955,987 | 1,965,933 |
| Contributions as a percentage of covered employee payroll | 5.4 % | 6.1 % | 4.1 % | 6.6 % | 6.1 % | 5.3 % |

Notes to Schedule

*Historical information is required only for measurement periods for which GASB Statement No. 75 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

In fiscal year 2022, the healthcare cost trend rate was assumed to start at 5.8% (increase effective January 1, 2023) and grade down to 3.9% for years 2076 and later. Previously, the healthcare cost trend rate was assumed to start at 7.0% (increase effective January 1, 2021) and grade down to 4.0% for years 2076 and later.

Truckee Meadows Water Authority
Schedules of OPEB Contributions
Last Ten Fiscal Years*

Additional significant assumptions are listed below for each plan:

| Assumption | §501(c)(9) Plan | §115 Plan |
|--|---|---|
| Valuation Date | December 31, 2021 | December 31, 2021 |
| Funding Method | Entry Age Normal Cost, level percent of pay | Entry Age Normal Cost, level percent of pay |
| Asset Valuation Method | Fair value of assets | Fair value of assets |
| Mortality | In fiscal year 2022, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2022 on a generational basis from 2010 forward. In fiscal year 2020, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2018 on a generational basis from 2015 forward. | In fiscal year 2022, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2022 on a generational basis from 2010 forward. In fiscal year 2020, the mortality rates were adjusted to anticipate future mortality improvement by applying MacLeod Watts Scale 2018 on a generational basis from 2015 forward. |
| Long-Term Return on Assets and Discount Rate | 6.0% net of plan investment and trust expenses | 6.0% net of plan investment and trust expenses |
| Participants Valued | Only current active employees and retired participants and covered dependents are valued. This plan is now closed. | Only current active employees and retired participants and covered dependents are valued. This plan is now closed. |
| Salary Increase | 3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years. | 3.0% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years. |
| General Inflation Rate | 2.5% per year | 2.5% per year |
| Medicare Eligibility | Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 65. Retirees over age 65 who are not eligible for Medicare are assumed to remain ineligible. | Absent contrary data, all individuals are assumed to be eligible for Medicare Parts A and B at 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> |

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| TMWA's proportion of the net pension liability | 0.3131 % | 0.3029 % | 0.2976 % | 0.2761 % | 0.2806 % | 0.2674 % | 0.2345 % | 0.2139 % |
| TMWA's proportionate share of the net pension liability | \$28,552,406 | \$42,191,934 | \$40,582,611 | \$37,658,701 | \$37,323,782 | \$35,783,246 | \$26,869,406 | \$22,293,306 |
| TMWA's covered payroll | \$22,379,402 | \$21,627,820 | \$20,440,658 | \$18,259,883 | \$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 | 127.58 % | 195.08 % | 198.54 % | 206.24 % | 207.96 % | 219.33 % | 190.86 % | 177.30 % |
| Plan fiduciary net position as a percentage of the total pension liability | 86.51 % | 77.04 % | 76.46 % | 75.24 % | 74.42 % | 72.23 % | 75.13 % | 76.30 % |

Notes to Schedule

*Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

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

Significant assumptions are listed below:

| Assumption | 2021 | 2020 - 2017 | 2016 - 2014 |
|---|---|-------------------------------------|--|
| Inflation Rate | 2.50% | 2.75% | 3.50% |
| Payroll Growth | 3.50% | 5.00% | 5.00% |
| Investment Rate of Return / Discount Rate | 7.25% | 7.50% | 8.00% |
| Productivity Pay Increase | 0.50% | 0.50% | 0.75% |
| Projected Salary Increases | | | |
| Regular* | 4.20% to 9.10% | 4.25% to 9.15% | 4.60% to 9.75% |
| Police/Fire* | 4.60% to 14.50% | 4.55% to 13.90% | 5.25% to 14.50% |
| Consumer Price Index | 2.50% | 2.75% | 3.50% |
| Mortality Rates | | | |
| Healthy** | Pub-2010 General and Safety Healthy Retiree and Employee | Headcount-Weighted RP-2014 Healthy | RP-2000 Combined Healthy Mortality Table |
| Disabled | Pub-2010 Non-Safety and Safety Disabled Retiree Amount-Weighted | Headcount-Weighted RP-2014 Disabled | RP-2000 Disabled Retiree Mortality Table |
| Current Beneficiaries** | Pub-2010 Contingent Survivor and General Employee | Headcount-Weighted RP-2014 Healthy | N/A |
| Pre-retirement** | Pub-2010 General and Safety Employee | Headcount-Weighted RP-2014 Employee | N/A |
| Future Mortality Improvement | Generational Projection Scale MP-2020 | 6 years | N/A |

*Depending on service; rates include inflation and productivity increases.

**Amount-Weighted Above-Median.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$3,496,584 | \$3,277,098 | \$3,156,332 | \$2,865,963 | \$2,562,356 | \$5,037,877 | \$4,534,811 | \$3,629,441 |
| Contributions in relation to the statutorily required contribution | \$3,496,584 | \$3,277,098 | \$3,156,332 | \$2,865,963 | \$2,562,356 | \$5,037,877 | \$4,534,811 | \$3,629,441 |
| Contribution (deficiency) excess | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| TMWA's covered payroll | \$23,523,549 | \$22,379,402 | \$21,627,820 | \$20,440,658 | \$18,259,883 | \$17,947,692 | \$16,314,669 | \$14,077,995 |
| Contributions as a percentage of covered payroll | 14.86 % | 14.64 % | 14.59 % | 14.02 % | 14.03 % | 28.07 % | 27.80 % | 25.78 % |

Notes to Schedule

*Historical information is required only for measurement periods for which GASB Statement No. 68 is applicable. Future years' information will be disclosed up to 10 years as information becomes available.

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

Supplementary Information
June 30, 2022 and 2021

Truckee Meadows Water Authority

Truckee Meadows Water Authority
 Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
 Year Ended June 30, 2022

| | Final Budget | Actual | (Under) Over Budget |
|--|-----------------|----------------|------------------------|
| Operating Revenues | | | |
| Charges for water sales | \$ 108,503,854 | \$ 108,172,970 | \$ (330,884) |
| Hydroelectric sales | 1,837,239 | 2,551,333 | 714,094 |
| Other operating sales | 2,219,679 | 3,846,679 | 1,627,000 |
| Total operating revenues | 112,560,772 | 114,570,982 | 2,010,210 |
| Operating Expenses | | | |
| Salaries and wages | 26,634,314 | 24,735,686 | (1,898,628) |
| Employee benefits | 11,622,696 | 7,461,199 | (4,161,497) |
| Services and supplies | 32,188,000 | 32,768,771 | 580,771 |
| Total operating expenses before depreciation | 70,445,010 | 64,965,656 | (5,479,354) |
| Depreciation | 34,234,118 | 33,642,537 | (591,581) |
| Total operating expenses | 104,679,128 | 98,608,193 | (6,070,935) |
| Operating Income | 7,881,644 | 15,962,789 | (4,060,725) |
| Nonoperating Revenues (Expenses) | | | |
| Investment earnings | 2,583,886 | 2,028,627 | (555,259) |
| Net change in fair value of investments | — | (10,605,392) | (10,605,392) |
| Loss on disposal of assets | (750,000) | (938,661) | (188,661) |
| Bond/note issue costs and amortization of bond insurance | (133,000) | 801 | 133,801 |
| Interest expense | (11,880,610) | (11,954,097) | (73,487) |
| Total nonoperating revenues (expenses) | (10,179,724) | (21,468,722) | (11,288,998) |
| Income (Loss) before Capital Contributions | (2,298,080) | (5,505,933) | (15,349,723) |
| Capital Contributions | | | |
| Grants | 1,350,000 | 2,164,651 | 814,651 |
| Water resource sustainability program | 607,168 | 1,409,024 | 801,856 |
| Developer infrastructure contributions | 18,177,481 | 18,167,149 | (10,332) |
| Developer will-serve contributions (net of refunds) | 2,884,048 | 4,436,788 | 1,552,740 |
| Developer capital contributions-other | 9,360,299 | 11,835,501 | 2,475,202 |
| Developer facility charges (net of refunds) | 7,301,331 | 12,862,786 | 5,561,455 |
| Contributions from others | 200,000 | — | (200,000) |
| Contributions from other governments | — | 719,822 | 719,822 |
| Net capital contributions | 39,880,327 | 51,595,721 | 11,715,394 |
| Change in Net Position | \$ 37,582,247 | \$ 46,089,788 | \$ (3,634,329) |

Truckee Meadows Water Authority
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual
Year Ended June 30, 2021

| | Final Budget | Actual | (Under) Over Budget |
|--|-----------------|----------------|------------------------|
| Operating Revenues | | | |
| Charges for water sales | \$ 102,260,229 | \$ 109,822,836 | \$ 7,562,607 |
| Hydroelectric sales | 3,193,880 | 2,768,274 | (425,606) |
| Other operating sales | 2,800,120 | 2,799,694 | (426) |
| Total operating revenues | 108,254,229 | 115,390,804 | 7,136,575 |
| Operating Expenses | | | |
| Salaries and wages | 24,563,727 | 23,101,987 | (1,461,740) |
| Employee benefits | 10,661,572 | 11,282,823 | 621,251 |
| Services and supplies | 31,419,113 | 30,562,803 | (856,310) |
| Total operating expenses before depreciation | 66,644,412 | 64,947,613 | (1,696,799) |
| Depreciation | 33,518,852 | 33,286,373 | (232,479) |
| Total operating expenses | 100,163,264 | 98,233,986 | (1,929,278) |
| Operating Income | 8,090,965 | 17,156,818 | 5,207,297 |
| Nonoperating Revenues (Expenses) | | | |
| Investment earnings | 2,854,243 | 2,563,447 | (290,796) |
| Net change in fair value of investments | — | (2,389,723) | (2,389,723) |
| Loss on disposal of assets | — | (1,755,873) | (1,755,873) |
| Bond/note issue costs and amortization of bond insurance | (87,400) | (235,494) | (148,094) |
| Interest expense | (12,514,133) | (12,262,581) | 251,552 |
| Total nonoperating revenues (expenses) | (9,747,290) | (14,080,224) | (4,332,934) |
| Income (Loss) before Capital Contributions | (1,656,325) | 3,076,594 | 874,363 |
| Capital Contributions | | | |
| Grants | 1,900,000 | — | (1,900,000) |
| Water resource sustainability program | 869,696 | 1,708,110 | 838,414 |
| Developer infrastructure contributions | 11,226,546 | 10,201,446 | (1,025,100) |
| Developer will-serve contributions (net of refunds) | 4,185,412 | 5,632,381 | 1,446,969 |
| Developer capital contributions-other | 10,242,156 | 11,461,850 | 1,219,694 |
| Developer facility charges (net of refunds) | 5,998,608 | 12,218,607 | 6,219,999 |
| Contributions from others | 275,000 | — | (275,000) |
| Contributions from other governments | — | 132,800 | 132,800 |
| Net capital contributions | 34,697,418 | 41,355,194 | 6,657,776 |
| Change in Net Position | \$ 33,041,093 | \$ 44,431,788 | \$ 7,532,139 |

Truckee Meadows Water Authority
Combining Statement of Fiduciary Net Position - Other Post-employment Benefit Trust Funds
December 31, 2021 and 2020

| | <u>§501(c)(9) Plan</u> | <u>§115 Plan</u> | <u>Total</u> |
|---|------------------------|---------------------|----------------------|
| December 31, 2021 | | | |
| Assets | | | |
| Cash | \$ 44,195 | \$ 75,394 | \$ 119,589 |
| Receivables from plan members | 9,833 | 1,912 | 11,745 |
| Investments, at fair value | <u>16,072,517</u> | <u>1,702,625</u> | <u>17,775,142</u> |
| Total assets | <u>16,126,545</u> | <u>1,779,931</u> | <u>17,906,476</u> |
| Liabilities | | | |
| Accounts payable | <u>119,063</u> | <u>3,133</u> | <u>122,196</u> |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | <u>\$ 16,007,482</u> | <u>\$ 1,776,798</u> | <u>\$ 17,784,280</u> |
| December 31, 2020 | | | |
| Assets | | | |
| Cash | \$ 26,777 | \$ 20,365 | \$ 47,142 |
| Receivables from plan members | 18,217 | 3,824 | 22,041 |
| Investments, at fair value | <u>14,068,245</u> | <u>1,475,068</u> | <u>15,543,313</u> |
| Total assets | <u>14,113,239</u> | <u>1,499,257</u> | <u>15,612,496</u> |
| Liabilities | | | |
| Accounts payable | <u>71,630</u> | <u>3,001</u> | <u>74,631</u> |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | <u>\$ 14,041,609</u> | <u>\$ 1,496,256</u> | <u>\$ 15,537,865</u> |

Truckee Meadows Water Authority

Combining Statement of Changes in Fiduciary Net Position - Other Post-employment Benefit Trust Funds
Year Ended December 31, 2021 and 2020

| | <u>§501(c)(9) Plan</u> | <u>§115 Plan</u> | <u>Total</u> |
|---|------------------------|---------------------|----------------------|
| Year Ended December 31, 2021 | | | |
| Additions | | | |
| Investment Income | | | |
| Net increase in fair value of investments | \$ 2,128,775 | \$ 222,908 | \$ 2,351,683 |
| Interest and dividends | 240,434 | 25,166 | 265,600 |
| Investment expense | (4,937) | (517) | (5,454) |
| Net investment income | 2,364,272 | 247,557 | 2,611,829 |
| Employer contributions | — | 97,848 | 97,848 |
| Total additions | 2,364,272 | 345,405 | 2,709,677 |
| Deductions | | | |
| Benefit payments | 379,624 | 50,863 | 430,487 |
| Administrative expenses | 18,775 | 14,000 | 32,775 |
| Total deductions | 398,399 | 64,863 | 463,262 |
| Change in Net Position | 1,965,873 | 280,542 | 2,246,415 |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | | | |
| Beginning of year | 14,041,609 | 1,496,256 | 15,537,865 |
| End of year | <u>\$ 16,007,482</u> | <u>\$ 1,776,798</u> | <u>\$ 17,784,280</u> |
| Year Ended December 31, 2020 | | | |
| Additions | | | |
| Investment Income | | | |
| Net increase in fair value of investments | \$ 1,595,995 | \$ 167,651 | \$ 1,763,646 |
| Interest and dividends | 249,958 | 25,866 | 275,824 |
| Investment expense | (2,953) | (306) | (3,259) |
| Net investment income | 1,843,000 | 193,211 | 2,036,211 |
| Employer contributions | 131,267 | 85,743 | 217,010 |
| Total additions | 1,974,267 | 278,954 | 2,253,221 |
| Deductions | | | |
| Benefit payments | 358,251 | 58,361 | 416,612 |
| Administrative expenses | 18,490 | 14,000 | 32,490 |
| Total deductions | 376,741 | 72,361 | 449,102 |
| Change in Net Position | 1,597,526 | 206,593 | 1,804,119 |
| Net Position Restricted For Post-employment Benefits Other Than Pensions | | | |
| Beginning of year | 12,444,083 | 1,289,663 | 13,733,746 |
| End of year | <u>\$ 14,041,609</u> | <u>\$ 1,496,256</u> | <u>\$ 15,537,865</u> |

Statistical Section

Truckee Meadows Water Authority

This part of the Truckee Meadows Water Authority Annual Comprehensive 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 TMWA's overall financial health.

Section Contents**Schedule No.****Financial Trends****1-6**

These schedules contain trend information to help the reader understand how TMWA's financial performance and well-being have changed over time.

Revenue Capacity**7-8**

These schedules contain information to help the reader assess the factors affecting the TMWA's ability to generate its water sales and other revenues.

Debt Capacity**9**

This schedule presents information to help the reader assess the affordability of the TMWA's current levels of outstanding debt, and its ability to issue additional future debt.

Demographic and Economic Information**10-12**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the TMWA's financial activities take place and to help make comparisons over time and with other utilities.

Operating Information**13-17**

These schedules contain information about the TMWA's operations and resources to help the reader understand how the TMWA's financial information relates to the services it provides and the activities it performs.

Debt Ratios**18-19**

These schedules contain information about changes in the TMWA's debt and its debt in relation to service connections.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Truckee Meadows Water Authority
Schedule No. 1 - Net Position by Component
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | \$ 692,996,744 | \$ 649,138,921 | \$ 617,541,639 | \$ 573,147,076 | \$ 533,058,874 | \$ 506,700,472 | \$ 478,543,111 | \$ 444,402,572 | \$ 232,327,785 | \$ 227,319,870 |
| Restricted | 52,457,821 | 50,662,078 | 50,034,746 | 29,351,818 | 30,123,412 | 28,589,861 | 40,505,804 | 42,158,803 | 25,198,683 | 22,644,404 |
| Unrestricted | <u>114,810,508</u> | <u>114,374,286</u> | <u>102,167,112</u> | <u>115,662,201</u> | <u>104,893,903</u> | <u>95,037,226</u> | <u>65,933,399</u> | <u>77,312,759</u> | <u>54,036,550</u> | <u>51,471,349</u> |
| Total Net Position | <u>\$ 860,265,073</u> | <u>\$ 814,175,285</u> | <u>\$ 769,743,497</u> | <u>\$ 718,161,095</u> | <u>\$ 668,076,189</u> | <u>\$ 630,327,559</u> | <u>\$ 584,982,314</u> | <u>\$ 563,874,134</u> | <u>\$ 311,563,018</u> | <u>\$ 301,435,623</u> |

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

Truckee Meadows Water Authority
Schedule No. 2 - Changes in Net Position
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Operating Revenues | \$114,570,982 | \$115,390,804 | \$108,072,657 | \$107,089,518 | \$101,812,092 | \$ 97,268,183 | \$ 91,928,943 | \$ 90,029,316 | \$ 84,315,390 | \$ 85,577,107 |
| Operating Expenses | 98,608,193 | 98,233,986 | 94,121,824 | 92,466,904 | 90,311,622 | 82,339,194 | 80,615,507 | 70,114,860 | 59,317,860 | 59,619,074 |
| Operating Income | 15,962,789 | 17,156,818 | 13,950,833 | 14,622,614 | 11,500,470 | 14,928,989 | 11,313,436 | 19,914,456 | 24,997,530 | 25,958,033 |
| Total Nonoperating Revenues/(Expenses) | (21,468,722) | (14,080,224) | (6,575,750) | (6,692,826) | (11,162,667) | (11,684,303) | (9,491,450) | (23,526,380) | (20,386,339) | (20,675,251) |
| Income/(Loss) before Capital Contributions | (5,505,933) | 3,076,594 | 7,375,083 | 7,929,788 | 337,803 | 3,244,686 | 1,821,986 | (3,611,924) | 4,611,191 | 5,282,782 |
| Capital Contributions | 51,595,721 | 41,355,194 | 44,180,319 | 42,182,118 | 37,410,827 | 43,351,171 | 19,268,194 | 19,638,821 | 5,516,204 | 2,947,604 |
| Special Item | — | — | — | — | — | — | — | 231,516,024 | — | — |
| Change in Net Position | 46,089,788 | 44,431,788 | 51,555,402 | 50,111,906 | 37,748,630 | 46,595,857 | 21,108,180 | 247,542,921 | 10,127,395 | 8,230,386 |

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

Truckee Meadows Water Authority
Schedule No. 3 - Operating Revenues by Customer Class
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--------------------------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Revenues from water sales | | | | | | | | | | |
| Residential unmetered water sales | \$ 2,730,559 | \$ 2,423,033 | \$ 2,571,216 | \$ 2,558,779 | \$ 2,505,172 | \$ 2,446,144 | \$ 3,725,916 | \$ 9,366,307 | \$ 9,731,811 | \$ 10,288,324 |
| Residential metered water sales | 77,184,825 | 79,124,628 | 73,295,343 | 71,651,437 | 67,393,672 | 65,829,635 | 60,198,267 | 51,796,871 | 44,137,033 | 43,957,551 |
| Commercial metered water sales | 12,587,162 | 12,041,548 | 11,888,963 | 12,807,427 | 12,238,940 | 11,369,179 | 11,026,132 | 11,339,953 | 10,755,824 | 10,885,539 |
| Irrigation metered & fire protection | 14,408,203 | 14,950,021 | 13,457,574.1 | 13,509,567 | 12,169,406 | 11,887,395 | 11,554,063 | 11,123,168 | 10,720,156 | 11,031,924 |
| Wholesale sales | 1,262,221 | 1,283,606 | 1,273,982.44 | 1,249,439 | 1,165,607 | 1,154,907 | 1,029,954 | 2,560,399 | 3,845,593 | 3,748,276 |
| Total water sales | 108,172,970 | 109,822,836 | 102,487,078 | 101,776,649 | 95,472,797 | 92,687,260 | 87,534,332 | 86,186,698 | 79,190,417 | 79,911,614 |
| Hydroelectric revenue | 2,551,333 | 2,768,274 | 3,298,850 | 2,624,285 | 3,757,043 | 1,788,934 | 1,175,195 | 1,366,786 | 3,045,147 | 3,557,965 |
| Other operating revenues | 3,846,679 | 2,799,694 | 2,286,729 | 2,688,584 | 2,582,252 | 2,791,989 | 3,219,416 | 2,475,832 | 2,079,826 | 2,107,528 |
| Total operating revenues | <u>\$ 114,570,982</u> | <u>\$ 115,390,804</u> | <u>\$108,072,657</u> | <u>\$107,089,518</u> | <u>\$101,812,092</u> | <u>\$ 97,268,183</u> | <u>\$ 91,928,943</u> | <u>\$ 90,029,316</u> | <u>\$ 84,315,390</u> | <u>\$ 85,577,107</u> |

* Fiscal Year 2015 reflect changes as a result of the water utility consolidation discussed in Note 1 of the financial statements.

Truckee Meadows Water Authority
Schedule No. 4 - Operating Expenses
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Salaries and wages | \$ 24,735,686 | \$ 23,101,987 | \$ 21,455,982 | \$ 20,973,151 | \$ 18,735,892 | \$ 17,257,014 | \$ 16,541,811 | \$ 13,763,006 | \$ 12,007,022 | \$ 11,128,162 |
| Employee benefits | 7,461,199 | 11,282,823 | 11,529,749 | 10,184,189 | 12,919,692 | 8,931,838 | 6,364,279 | 5,271,735 | 5,045,922 | 4,819,187 |
| Contract services | 10,365,323 | 8,294,629 | 8,191,575 | 8,191,575 | 8,678,689 | 6,204,863 | 7,335,521 | 6,321,061 | 4,826,066 | 4,868,532 |
| Utilities/power | 7,144,034 | 5,801,118 | 5,953,121 | 5,953,121 | 5,322,771 | 5,201,870 | 5,386,413 | 5,449,347 | 5,189,312 | 4,571,453 |
| Information Technology | 1,998,876 | 4,172,257 | 1,334,300 | 1,225,262 | 1,054,648 | 1,112,663 | 1,004,622 | 749,917 | 597,101 | 556,536 |
| Prof services (general/legal/media/leg) | 2,371,990 | 2,142,911 | 2,821,923 | 2,821,923 | 2,905,859 | 2,258,454 | 2,512,154 | 3,132,132 | 2,538,097 | 1,610,614 |
| Supplies | 3,424,124 | 2,745,163 | 2,660,187 | 2,660,187 | 2,317,853 | 2,635,229 | 2,700,906 | 2,572,699 | 1,736,763 | 1,522,106 |
| Chemicals | 2,622,826 | 2,430,441 | 2,286,659 | 2,286,659 | 1,605,280 | 1,984,300 | 1,803,614 | 1,554,496 | 1,383,824 | 1,333,002 |
| Insurance and claims | 1,303,403 | 1,104,859 | 847,844 | 847,844 | 675,430 | 719,604 | 742,006 | 684,021 | 501,300 | 534,577 |
| Leases and rentals | 400,745 | 137,780 | 256,836 | 256,836 | 104,243 | 146,999 | 96,290 | 79,640 | 70,196 | 74,596 |
| Other expenses | 3,137,450 | 3,733,645 | 3,456,514 | 4,232,553 | 3,170,545 | 3,716,782 | 3,993,701 | 2,637,356 | 3,205,586 | 3,254,285 |
| Total operating expenses before depreciation | 64,965,656 | 64,947,613 | 60,794,690 | 59,633,300 | 57,490,902 | 50,169,616 | 48,481,317 | 42,215,411 | 37,101,189 | 34,273,049 |
| Depreciation | 33,642,537 | 33,286,373 | 33,327,134 | 32,833,604 | 32,820,720 | 32,169,578 | 32,134,190 | 27,899,449 | 22,517,885 | 22,349,225 |
| Total Operating Expenses | <u>\$ 98,608,193</u> | <u>\$ 98,233,986</u> | <u>\$ 94,121,824</u> | <u>\$ 92,466,904</u> | <u>\$ 90,311,622</u> | <u>\$ 82,339,194</u> | <u>\$ 80,615,507</u> | <u>\$ 70,114,860</u> | <u>\$ 59,619,074</u> | <u>\$ 56,622,274</u> |

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

Truckee Meadows Water Authority
Schedule No. 5 - Nonoperating Revenues and Expenses
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Investment Earnings | \$ 2,028,627 | \$ 2,563,447 | \$ 4,119,737 | \$ 4,409,486 | \$ 2,313,513 | \$ 7,209,113 | \$ 6,737,745 | \$ 2,127,009 | \$ 2,051,156 | \$ 2,007,375 |
| Interest Expense | (11,954,097) | (12,262,581) | (12,698,972) | (13,268,153) | (11,720,356) | (16,968,911) | (21,549,864) | (21,281,117) | (21,282,412) | (21,791,975) |
| Gain/(Loss) on Disposal of Assets | (938,661) | (1,755,873) | (1,189,776) | (225,687) | 133,972 | (155,722) | 6,460,373 | (653,698) | (136,300) | (21,463) |
| Other Revenue or Expenses | (10,604,591) | (2,625,217) | 3,193,261 | 2,391,528 | (1,889,796) | (1,768,783) | (1,139,704) | (3,718,574) | (1,018,783) | (869,188) |
| Total Nonoperating Expenses | (21,468,722) | (14,080,224) | (6,575,750) | (6,692,826) | (11,162,667) | (11,684,303) | (9,491,450) | (23,526,380) | (20,386,339) | (20,675,251) |

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

Truckee Meadows Water Authority
Schedule No. 6 - Capital Contributions by Source
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Developer Water Rights/Will Serves | \$ 4,436,788 | \$ 5,632,381 | \$ 4,082,279 | \$ 4,663,826 | \$ 6,652,819 | \$ 7,950,666 | \$ 4,363,692 | \$ 1,864,446 | \$ 1,529,129 | \$ 201,871 |
| Developer Infrastructure | 18,167,149 | 10,201,446 | 20,145,641 | 19,112,590 | 15,017,446 | 10,797,854 | 8,454,980 | 2,703,092 | 1,723,023 | 702,699 |
| Developer Other | 11,835,501 | 11,461,850 | 7,847,962 | 6,636,417 | 6,448,549 | 6,062,247 | 2,473,163 | 1,588,158 | 410,447 | 469,732 |
| Water Meter Retrofit Program | — | — | — | 994,706 | 2,379,206 | 341,074 | 482,081 | 1,013,896 | 479,488 | 174,698 |
| Developer Facility Charges | 12,862,786 | 12,218,607 | 9,657,274 | 9,154,403 | 6,464,559 | 5,116,956 | 2,931,940 | 2,494,434 | 963,660 | 1,047,715 |
| Grants | 2,164,651 | — | 232,153 | 831,116 | 348,248 | 1,226,863 | 224,138 | 276,260 | 343,628 | 208,227 |
| Water Resource Sustainability Program | 1,409,024 | 1,708,110 | 1,484,443 | 689,060 | — | — | — | — | — | — |
| From Others | 719,822 | 132,800 | 730,567 | 100,000 | 100,000 | 11,855,511 | 356,200 | 9,698,535 | 66,829 | 142,662 |
| Total | 51,595,721 | 41,355,194 | 44,180,319 | 42,182,118 | 37,410,827 | 43,351,171 | 19,286,194 | 19,638,821 | 5,516,204 | 2,947,604 |

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

Truckee Meadows Water Authority
Schedule No. 7 - Gallons of Water Sold and Revenues by Category
Last Ten Fiscal Years

| Category | 2022 | | 2021 | |
|---------------------------|--------------------|----------------|--------------------|----------------|
| | Gallons Sold (000) | Revenue | Gallons Sold (000) | Revenue |
| Residential-Unmetered (1) | — | \$ 2,730,559 | — | \$ 2,423,033 |
| Residential Metered | 17,832,778 | 77,184,825 | 18,481,075 | 79,124,628 |
| Commercial | 4,131,960 | 12,587,162 | 3,891,086 | 12,041,548 |
| Other (2) | 3,187,878 | 14,408,203 | 3,204,611 | 14,950,021 |
| Wholesale | 580,248 | 1,262,221 | 623,909 | 1,283,606 |
| Total | 25,732,864 | \$ 108,172,970 | 26,200,681 | \$ 109,822,836 |

| Category | 2020 | | 2019 | |
|---------------------------|--------------------|----------------|--------------------|----------------|
| | Gallons Sold (000) | Revenue | Gallons Sold (000) | Revenue |
| Residential-Unmetered (1) | — | \$ 2,571,216 | — | \$ 2,558,779 |
| Residential Metered | 17,111,305 | 73,295,343 | 16,970,042 | 71,651,437 |
| Commercial | 3,952,196 | 11,888,963 | 4,315,407 | 12,807,427 |
| Other (2) | 2,896,243 | 13,457,574 | 2,974,110 | 13,509,567 |
| Wholesale | 606,627 | 1,273,982 | 619,928 | 1,249,439 |
| Total | 24,566,371 | \$ 102,487,078 | 24,879,487 | \$ 101,776,649 |

| Category | 2018 | | 2017 | |
|---------------------------|--------------------|---------------|--------------------|---------------|
| | Gallons Sold (000) | Revenue | Gallons Sold (000) | Revenue |
| Residential-Unmetered (1) | — | \$ 2,505,172 | — | \$ 2,446,145 |
| Residential Metered | 16,335,308 | 67,393,672 | 16,487,693 | 65,829,634 |
| Commercial | 4,232,836 | 12,238,940 | 4,277,917 | 11,887,395 |
| Other (2) | 2,698,977 | 12,169,406 | 2,749,795 | 11,369,179 |
| Wholesale | 591,624 | 1,165,607 | 613,051 | 1,154,907 |
| Total | 23,858,745 | \$ 95,472,797 | 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 |

* 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.

Truckee Meadows Water Authority
Schedule No. 8 - Ten Largest Customers
June 30, 2022

| Customer Name | Water Used (000s Gallons) | Total Revenue | % of Total Water Sales |
|----------------------------------|------------------------------|------------------|---------------------------|
| 1. Sun Valley Water | 664,028 | \$ 1,273,216 | 1.2 % |
| 2. City of Reno* | 310,862 | 1,102,804 | 1.0 % |
| 3. Washoe County School District | 336,633 | 1,097,367 | 1.0 % |
| 4. Washoe County | 165,790 | 541,121 | 0.5 % |
| 5. City of Sparks | 123,187 | 455,696 | 0.4 % |
| 6. Silver Legacy | 117,744 | 362,272 | 0.3 % |
| 7. University of Nevada, Reno | 144,344 | 355,870 | 0.3 % |
| 8. Somersett HOA | 88,428 | 345,652 | 0.3 % |
| 9. Nevada Properties, Peppermill | 103,073 | 284,943 | 0.3 % |
| 10. Renown System | 70,236 | 272,028 | 0.3 % |
| Totals | 2,124,325 | \$ 6,090,969 | 5.6 % |

*City of Reno includes the Reno Housing Authority.

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

| | Fiscal Year (in millions) | | | | | | | | | |
|---|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Charges for water sales ⁽¹⁾ | \$ 108,173 | \$ 109,823 | \$ 102,487 | \$ 101,777 | \$ 95,473 | \$ 92,687 | \$ 87,534 | \$ 86,187 | \$ 79,190 | \$ 79,912 |
| Other operating and nonoperating revenue ⁽²⁾ | 8,427 | 8,131 | 9,705 | 9,722 | 8,653 | 11,790 | 11,132 | 5,970 | 7,176 | 7,672 |
| Gross revenues | 116,600 | 117,954 | 112,192 | 111,499 | 104,126 | 104,477 | 98,666 | 92,157 | 86,366 | 87,584 |
| Operation and maintenance expenses ⁽³⁾ | 64,244 | 64,233 | 60,076 | 58,955 | 57,021 | 50,958 | 48,030 | 41,772 | 35,850 | 36,672 |
| Taxes other than income taxes ⁽⁴⁾ | 722 | 715 | 719 | 678 | 470 | 462 | 451 | 443 | 440 | 429 |
| Total expenses | 64,966 | 64,948 | 60,795 | 59,633 | 57,491 | 51,420 | 48,481 | 42,215 | 36,290 | 37,101 |
| Net Revenues | <u>\$ 51,634</u> | <u>\$ 53,007</u> | <u>\$ 51,397</u> | <u>\$ 51,866</u> | <u>\$ 46,635</u> | <u>\$ 53,057</u> | <u>\$ 50,185</u> | <u>\$ 49,942</u> | <u>\$ 50,076</u> | <u>\$ 50,483</u> |
| Senior Lien Annual Debt Service ⁽⁵⁾ | <u>\$ 28,275</u> | <u>\$ 27,830</u> | <u>\$ 28,186</u> | <u>\$ 17,891</u> | <u>\$ 15,696</u> | <u>\$ 18,916</u> | <u>\$ 31,780</u> | <u>\$ 29,955</u> | <u>\$ 31,285</u> | <u>\$ 29,672</u> |
| Senior Lien Debt Coverage excluding SDCs | <u>1.83</u> | <u>1.90</u> | <u>1.82</u> | <u>2.90</u> | <u>2.97</u> | <u>2.80</u> | <u>1.58</u> | <u>1.67</u> | <u>1.60</u> | <u>1.70</u> |
| System Development Charges (SDCs): | | | | | | | | | | |
| Developer facility charges | \$ 12,863 | \$ 12,219 | \$ 9,657 | \$ 9,154 | \$ 6,465 | \$ 5,117 | \$ 2,932 | \$ 2,494 | \$ 964 | \$ 1,048 |
| Developer capital contributions - other | 11,836 | 11,462 | 7,848 | 6,636 | 6,449 | 6,062 | 2,473 | 1,588 | 410 | 470 |
| Senior Lien Debt Coverage including SDCs ⁽⁶⁾ | <u>2.70</u> | <u>2.76</u> | <u>2.44</u> | <u>3.78</u> | <u>3.79</u> | <u>3.40</u> | <u>1.75</u> | <u>1.80</u> | <u>1.64</u> | <u>1.75</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.

⁽⁵⁾ This schedule does not include the payments on the DWSRF loan or the 2021 Refunding Bonds, 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 years 2017, 2018 and 2019, TMWA deferred principal payments on debt which increased the debt coverage ratio.

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 |
|-------------|------------------|-----------------|-------------------|
| 2022 | 5,142 | 12,008 | 4,789 |
| 2021 | 4,694 | 10,453 | 4,616 |
| 2020 | 4,194 | 9,625 | 4,103 |
| 2019 | 4,307 | 10,323 | 3,890 |
| 2018 | 4,241 | 10,101 | 3,935 |
| 2017 | 2,615 | 9,058 | 3,636 |
| 2016 | 2,121 | 9,080 | 3,712 |
| 2015 | 1,807 | 7,345 | 3,581 |
| 2014 | 1,669 | 6,846 | 2,579 |
| 2013 | 1,516 | 6,211 | 2,393 |

Source: As reported by each local governmental entity.

Truckee Meadows Water Authority
Schedule No. 11 - Selected Demographic and Economic Statistics for Washoe County
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Per Capita Income (2) | Median Age (3) | School Enrollment (4) | Total Personal Income (1) | Unemployment rate (Percent) (5) | 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) |
|-------------|----------------|-----------------------|----------------|-----------------------|---------------------------|---------------------------------|-----------------------|---------------------------------------|--------------------------------|-------------------|---------------------------------|---------------------------------|
| 2022 | 486,492 | \$ 66,076 | 38.5 | 64,820 | \$ 31,523,753 | 3.3 % | 254,381 | \$ 678,435,000 | 596 | \$12,267,766,000 | \$ 970,727,000 | 4,155,405 |
| 2021 | 478,355 | 63,360 | 38.6 | 65,121 | 29,875,442 | 4.9 % | 251,933 | 719,607,000 | 692 | 11,049,067,000 | 837,334,000 | 2,472,843 |
| 2020 | 472,069 | 59,639 | 38.1 | 66,913 | 27,776,003 | 3.2 % | 255,915 | 450,868,000 | 617 | 9,250,416,000 | 630,862,000 | 3,378,405 |
| 2019 | 464,630 | 55,487 | 38.0 | 66,960 | 22,556,498 | 3.6 % | 250,005 | 458,823,000 | 572 | 8,829,864,000 | 785,532,000 | 4,298,555 |
| 2018 | 460,237 | 48,996 | 37.9 | 66,989 | 22,549,907 | 4.2 % | 239,119 | 345,710,000 | 481 | 8,531,253,000 | 779,347,000 | 4,128,476 |
| 2017 | 459,142 | 46,315 | 37.5 | 63,919 | 21,265,000 | 4.0 % | 232,719 | 240,534,583 | 378 | 7,989,009,111 | 805,557,000 | 3,819,896 |
| 2016 | 451,248 | 44,687 | 37.5 | 63,670 | 20,165,000 | 5.9 % | 231,570 | 231,741,537 | 320 | 7,550,466,734 | 789,359,000 | 3,563,818 |
| 2015 | 441,165 | 42,967 | 37.4 | 63,108 | 19,077,000 | 6.4 % | 228,430 | 246,627,580 | 255 | 6,817,588,648 | 765,248,320 | 3,297,642 |
| 2014 | 436,647 | 43,130 | 37.6 | 62,986 | 18,833,000 | 7.2 % | 222,607 | 225,096,997 | 120 | 6,370,684,534 | 744,962,250 | 3,312,839 |
| 2013 | 434,120 | 45,253 | 37.6 | 62,424 | 18,284,145 | 9.8 % | 219,607 | 126,468,377 | 74 | 5,824,726,136 | 741,038,030 | 3,514,421 |

Sources:

- (1) US Census-Nevada, 2011 - 2012. Washoe County Community Development, 2013 - 2017. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (2) U.S. Department of Commerce, 2008. Washoe County Community Demographic Information 2009 - 2017. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (3) Center for Regional Studies, University of Nevada, Reno 2011 - 2017. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (4) Washoe County School District. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (5) State Department of Employment, Training and Rehabilitation (DETR). Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (6) Washoe County Building and Safety. Department. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (7) Nevada State Department of Taxation. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (8) Nevada State Gaming Control Board. Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022
- (9) Reno/Tahoe International Airport. (RTIA) Washoe County Schedule 4.1, 2018, 2019, 2020, 2021, 2022

Truckee Meadows Water Authority
Schedule No. 12 - Principal Employers
Current and Nine Years Ago

| Employer | December, 2021 | | | December, 2012 | | |
|-----------------------------------|----------------|------|---|----------------|------|---|
| | Employees | Rank | Percentage of Total County Employment | Employees | Rank | Percentage of Total County Employment |
| Washoe County School District | 8,750 | 1 | 3.85 % | 7,750 | 1 | 3.89 % |
| University of Nevada - Reno | 4,750 | 2 | 2.09 % | 4,250 | 2 | 2.13 % |
| Renown Medical Center | 3,250 | 3 | 1.43 % | 2,750 | 3 | 1.38 % |
| Washoe County | 2,750 | 4 | 1.21 % | 2,250 | 4 | 1.13 % |
| Peppermill Hotel Casino - Reno | 2,500 | 5 | 1.10 % | 2,250 | 5 | 1.13 % |
| Nugget Casino | 2,500 | 6 | 1.10 % | — | — | — |
| Grand Sierra Resort | 2,500 | 7 | 1.10 % | 1,250 | 9 | 0.63 % |
| Harrahs | 2,500 | 8 | 1.10 % | — | — | — |
| St. Mary's | 2,500 | 9 | 1.10 % | — | — | — |
| Silver Legacy Resort Casino | 2,500 | 10 | 1.10 % | 1,750 | 7 | 0.88 % |
| Eldorado Hotel & Casino | — | — | — | 1,250 | 10 | 0.63 % |
| Atlantis Casino Resort | — | — | — | 1,750 | 8 | 0.88 % |
| International Game Technology PLC | — | — | — | 2,250 | 6 | 1.13 % |
| Total Washoe Covered Employment | <u>227,275</u> | | | <u>199,079</u> | | |

Note: Each of the years reflect respective 4th quarter calendar year information. Nevada Revised Statutes Chapter 612 stipulate that actual employment for individual employers may not be published. The Nevada Department of Employment Training and Rehabilitation outsources the publication of this information to Infogroup. Infogroup publishes employee counts in ranges of 5000. The number of employees are estimated using the midpoint.

Source: Nevadaworkforce.com

Nevada Employment and Unemployment Data (DES and Laus)

Washoe County Schedule 4.2

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

| 2022 | | | | |
|-----------------------|----------------------------------|------------------------|---|------------------------|
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 640 | 0.47 % | \$ 2,730,559 | 2.52 % |
| Residential metered | 123,700 | 91.74 % | 77,184,825 | 71.35 % |
| Commercial metered | 6,967 | 5.17 % | 12,587,162 | 11.64 % |
| Other ⁽²⁾ | 3,535 | 2.62 % | 14,408,203 | 13.32 % |
| Wholesale | 2 | — % | 1,262,221 | 1.17 % |
| Total | 134,844 | 100.00 % | \$ 108,172,970 | 100.00 % |
| 2021 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 673 | 0.51 % | \$ 2,423,033 | 2.21 % |
| Residential metered | 120,074 | 91.46 % | 79,124,628 | 72.05 % |
| Commercial metered | 10,545 | 8.03 % | 12,041,548 | 10.96 % |
| Other ⁽²⁾ | 2 | — % | 14,950,021 | 13.61 % |
| Wholesale | 2 | — % | 1,283,606 | 1.17 % |
| Total | 131,296 | 100.00 % | \$ 109,822,836 | 100.00 % |
| 2020 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 652 | 0.51 % | \$ 2,571,216 | 2.51 % |
| Residential metered | 116,104 | 91.41 % | 73,295,343 | 71.52 % |
| Commercial metered | 10,262 | 8.08 % | 11,888,963 | 11.60 % |
| Other ⁽²⁾ | 2 | — % | 13,457,574 | 13.13 % |
| Wholesale | 2 | — % | 1,273,982 | 1.24 % |
| Total | 127,022 | 100.00 % | \$ 102,487,078 | 100.00 % |
| 2019 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 663 | 0.53 % | \$ 2,558,779 | 2.51 % |
| Residential metered | 113,934 | 91.32 % | 71,651,437 | 70.41 % |
| Commercial metered | 10,161 | 8.14 % | 12,807,427 | 12.58 % |
| Other ⁽²⁾ | 2 | — % | 13,509,567 | 13.27 % |
| Wholesale | 2 | — % | 1,249,439 | 1.23 % |
| Total | 124,762 | 100.00 % | \$ 101,776,649 | 100.00 % |
| 2018 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 672 | 0.55 % | \$ 2,505,172 | 2.62 % |
| Residential metered | 111,963 | 91.27 % | 67,393,672 | 70.59 % |
| Commercial metered | 10,038 | 8.18 % | 12,238,940 | 12.82 % |
| Other ⁽²⁾ | 2 | — % | 12,169,406 | 12.75 % |
| Wholesale | 2 | — % | 1,165,607 | 1.22 % |
| Total | 122,677 | 100.00 % | \$ 95,472,797 | 100.00 % |

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

| 2017 | | | | |
|---------------------------|----------------------------------|------------------------|---|------------------------|
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 695 | 0.58 % | \$ 2,446,144 | 2.64 % |
| Residential metered | 109,939 | 91.18 % | 65,829,635 | 71.01 % |
| Commercial metered | 9,931 | 8.24 % | 11,369,179 | 12.27 % |
| Other ⁽²⁾ | 2 | — % | 11,887,395 | 12.83 % |
| Wholesale | 2 | — % | 1,154,907 | 1.25 % |
| Total | 120,569 | 100.00 % | \$ 92,687,260 | 100.00 % |
| 2016 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 2,062 | 1.74 % | \$ 3,725,916 | 4.26 % |
| Residential metered | 106,730 | 89.94 % | 60,198,267 | 68.76 % |
| Commercial metered | 9,873 | 8.32 % | 11,026,132 | 12.60 % |
| Other ⁽²⁾ | 3 | — % | 11,554,063 | 13.20 % |
| Wholesale | 1 | — % | 1,029,954 | 1.18 % |
| Total | 118,669 | 100.00 % | \$ 87,534,332 | 100.00 % |
| 2015* | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential-Unmetered | 6,224 | 5.15 % | \$ 9,366,307 | 10.87 % |
| Residential Metered | 100,446 | 83.12 % | 51,796,871 | 60.09 % |
| Commercial and Irrigation | 9,648 | 7.98 % | 11,339,953 | 13.16 % |
| Other ⁽²⁾ | 4,528 | 3.75 % | 11,123,168 | 12.91 % |
| Wholesale | 2 | — % | 2,560,399 | 2.97 % |
| Total | 120,848 | 100.00 % | \$ 86,186,698 | 100.00 % |
| 2014 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 6,379 | 6.68 % | \$ 9,731,811 | 12.29 % |
| Residential metered | 76,422 | 79.98 % | 44,137,033 | 55.73 % |
| Commercial metered | 8,743 | 9.15 % | 10,755,824 | 13.58 % |
| Other ⁽²⁾ | 4,008 | 4.19 % | 10,720,156 | 13.54 % |
| Wholesale | 2 | — % | 3,845,593 | 4.86 % |
| Total | 95,554 | 100.00 % | \$ 79,190,417 | 100.00 % |
| 2013 | | | | |
| Category | Average Number of Accounts | % of Total Accounts | Fiscal Year Water Revenues ⁽¹⁾ | % of Total Revenues |
| Residential unmetered | 6,927 | 7.31 % | \$ 10,288,324 | 12.87 % |
| Residential metered | 75,113 | 79.31 % | 43,957,551 | 55.01 % |
| Commercial metered | 8,702 | 9.19 % | 10,885,539 | 13.62 % |
| Other ⁽²⁾ | 3,965 | 4.19 % | 11,031,924 | 13.81 % |
| Wholesale | 2 | — % | 3,748,276 | 4.69 % |
| Total | 94,709 | 100.00 % | \$ 79,911,614 | 100.00 % |

* 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.

Truckee Meadows Water Authority
Schedule No. 14 - Schedule of Insurance Coverage
June 30, 2022

| Coverage | Carrier/Policy | Term | Limits/Deductible |
|--|---|------------------------|--|
| Property/Boiler and Machinery Policy | America Home Assurance Company (AIG) | 6/11/2021 to 6/11/2022 | Blanket limit of \$250,000,000 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 | 6/11/2021 to 6/11/2022 | First \$1,000,000 in liability limits. General Liability Aggregate limit of \$3,000,000 Inland Marine Physical Damage \$903,431. General liability deductible of \$25,000 per occurrence. Auto Physical Damage deductible of \$1,000. |
| Excess Umbrella Liability Policy | Philadelphia Indemnity Insurance Company | 6/11/2021 to 6/11/2022 | First Layer Excess Liability limit of \$10,000,000. |
| | Travelers Insurance Company | 6/11/2021 to 6/11/2022 | Second Layer Excess Liability Limit of \$10,000,000. |
| Workers' Compensation | Berkshire Hathaway Homestate Companies | 6/11/2021 to 6/11/2022 | 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 | 6/11/2021 to 6/11/2022 | Varies by plan selected. |
| Commercial Crime/ Government Crime | Fidelity & Deposit Company of Maryland | 6/11/2021 to 6/11/2022 | 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 \$1,000,000. |
| | Zurich | | Fraudulent Impersonation \$250,000. |
| Network Security/ Cyber Risk | Houston Casualty Company | 6/11/2021 to 6/11/2022 | Network Information, Communications Media, Regulatory Defense, Crisis Management, Security Breach Remediation, Computer Program/Data Restoration, Computer Fraud, E-Commerce Extortion Business Interruption \$4,000,000. Crisis Management Expenses \$1,000,000. |
| Kidnap and Ransom | National Union Fire Insurance Company | 6/11/2016 to 6/11/2022 | 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 |

Truckee Meadows Water Authority
 Schedule No. 15 - Authorized Full-Time Equivalent Employees by Department ⁽¹⁾
 Last Ten Fiscal Years ⁽²⁾

| | Fiscal Year | | | | | | | | | |
|-------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Administration/IT | 38 | 32 | 33 | 30 | 28 | 25 | 28 | 22 | 20 | 18 |
| Supply/Treatment Operations | 48 | 48 | 48 | 44 | 40 | 40 | 32 | 30 | 31 | 26 |
| Distribution Maintenance | 78 | 72 | 71 | 71 | 65 | 65 | 63 | 62 | 48 | 45 |
| Hydroelectric | 8 | 7 | 8 | 7 | 7 | 7 | 6 | 6 | 6 | 7 |
| Customer Service/Conservation | 22 | 23 | 26 | 23 | 23 | 25 | 25 | 24 | 20 | 26 |
| Water Planning/Resources | 19 | 19 | 15 | 15 | 15 | 17 | 19 | 19 | 13 | 15 |
| Engineering/Construction | 31 | 30 | 30 | 31 | 28 | 25 | 24 | 23 | 14 | 15 |
| Total Authorized Employees | <u>244</u> | <u>231</u> | <u>231</u> | <u>221</u> | <u>206</u> | <u>204</u> | <u>197</u> | <u>186</u> | <u>152</u> | <u>152</u> |

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

⁽¹⁾ Source - Truckee Meadows Water Authority Budget

⁽²⁾ The number of employees shown are approved full-time equivalent positions. Actual employee numbers may be less if there are vacant positions at year-end.

Truckee Meadows Water Authority

Schedule No. 16 - Current and Historical Water Rates

Last Five Fiscal Years

| Fiscal Year | | | | | | | | | | | | | | | |
|---|-------|--------|-------|-------|--------|-------|-------|--------|-------|-------|--------|-------|-------|--------|-------|
| 2022 | | | 2021 | | | 2020 | | | 2019 | | | 2018 | | | |
| TMWA | WC | STMGID | TMWA | WC | STMGID | TMWA | WC | STMGID | TMWA | WC | STMGID | TMWA | WC | STMGID | |
| Customer Charges by Meter Size | | | | | | | | | | | | | | | |
| 3/4" | 20.66 | 19.42 | 10.58 | 20.16 | 18.95 | 10.32 | 19.67 | 18.49 | 10.07 | 19.67 | 18.49 | 10.07 | 19.67 | 18.49 | 10.07 |
| 1" | 22.73 | 24.99 | 12.95 | 22.18 | 24.38 | 12.63 | 21.64 | 23.79 | 12.32 | 21.64 | 23.79 | 12.32 | 21.64 | 23.79 | 12.32 |
| 1 1/2" | 25.86 | 35.74 | 18.36 | 25.23 | 34.87 | 17.91 | 24.61 | 34.02 | 17.47 | 24.61 | 34.02 | 17.47 | 24.61 | 34.02 | 17.47 |
| 2" | 29.98 | 47.65 | n/a | 29.25 | 46.49 | n/a | 28.54 | 45.36 | n/a | 28.54 | 45.36 | n/a | 28.54 | 45.36 | n/a |
| 3" | 34.10 | 76.74 | n/a | 33.27 | 74.87 | n/a | 32.46 | 73.04 | n/a | 32.46 | 73.04 | n/a | 32.46 | 73.04 | n/a |
| 4" | 39.23 | 112.39 | n/a | 38.27 | 109.65 | n/a | 37.34 | 106.98 | n/a | 37.34 | 106.98 | n/a | 37.34 | 106.98 | n/a |
| 6" | 45.47 | 204.93 | n/a | 44.36 | 199.93 | n/a | 43.28 | 195.05 | n/a | 43.28 | 195.05 | n/a | 43.28 | 195.05 | n/a |
| Commodity Charge (all meter sizes) | | | | | | | | | | | | | | | |
| TMWA Tier 1 | 1.92 | | | 1.87 | | | 1.82 | | | 1.82 | | | 1.82 | | |
| TMWA Tier 2 | 3.10 | | | 3.02 | | | 2.95 | | | 2.95 | | | 2.95 | | |
| TMWA Tier 3 | 3.63 | | | 3.54 | | | 3.45 | | | 3.45 | | | 3.45 | | |
| WC Tier 1 | | 2.92 | | | 2.85 | | | 2.78 | | | 2.78 | | | 2.78 | |
| WC Tier 2 | | 3.65 | | | 3.56 | | | 3.47 | | | 3.47 | | | 3.47 | |
| WC Tier 3 | | 4.38 | | | 4.27 | | | 4.17 | | | 4.17 | | | 4.17 | |
| WC Tier 4 | | 5.85 | | | 5.71 | | | 5.57 | | | 5.57 | | | 5.57 | |
| STMGID Tier 1 | | | 1.52 | | | 1.48 | | | 1.44 | | | 1.44 | | | 1.44 |
| STMGID Tier 2 | | | 2.01 | | | 1.96 | | | 1.91 | | | 1.91 | | | 1.91 |
| STMGID Tier 3 | | | 2.46 | | | 2.40 | | | 2.34 | | | 2.34 | | | 2.34 |
| STMGID Tier 4 | | | 2.88 | | | 2.81 | | | 2.74 | | | 2.74 | | | 2.74 |
| STMGID Tier 5 | | | 3.04 | | | 2.97 | | | 2.90 | | | 2.90 | | | 2.90 |
| <i>Above rates are for metered single family residential service.</i> | | | | | | | | | | | | | | | |
| Monthly Base Rates Unmetered by Size | | | | | | | | | | | | | | | |
| 3/4" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 1" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 1 1/2" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 2" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 3" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 4" | n/a | n/a | 50.06 | n/a | n/a | 48.84 | n/a | n/a | 47.65 | n/a | n/a | 47.65 | n/a | n/a | 47.65 |
| 6" | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| <i>Above rates are for unmetered single family residential service.</i> | | | | | | | | | | | | | | | |
| <i>TMWA rates took effect on June 11, 2001, and were revised effective May 2009, May 2010, February 2012, February 2014, June 2016, May 2017, May 2018, June 2021, and June 2022.</i> | | | | | | | | | | | | | | | |

Truckee Meadows Water Authority
 Schedule No. 17 - Selected Operating and Capital Indicators
 Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|--|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Miles of water mains | 2,095 | 2,064 | 2,048 | 2,019 | 1,986 | 1,961 | 1,940 | 1,915 | 1,341 | 1,337 |
| Number of storage tanks | 97 | 96 | 95 | 95 | 93 | 93 | 93 | 93 | 42 | 42 |
| Number of finished water storage | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of pump stations | 117 | 115 | 115 | 114 | 113 | 113 | 121 | 112 | 93 | 94 |
| Number of wells | 100 | 99 | 99 | 100 | 82 | 81 | 79 | 86 | 32 | 32 |
| Treatment capacity (millions of gallons/day) | | | | | | | | | | |
| Glendale Plant | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 | 37.5 | 37.5 | 37.5 |
| Chalk Bluff | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 | 95.0 | 95.0 | 95.0 |
| Longley Lane | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 | — | — | — |
| Mt. Rose | 4 | — | — | — | — | — | — | — | — | — |

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

Truckee Meadows Water Authority
Schedule No. 18 - Schedule of Changes in Debt
Last Ten Fiscal Years

| | Final Maturity | | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance |
|---|-------------------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Date | Authorized | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| 2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21% | 1/1/2025 | \$ 4,669,565 | \$ 955,680 | \$ 1,254,482 | \$ 1,543,918 | \$ 1,824,283 | \$ 2,095,861 | \$ 2,358,926 | \$ 2,613,744 | \$ 2,860,578 | \$ 3,099,675 | \$ 3,331,277 |
| 2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00% | 7/1/2036 | 40,000,000 | — | — | — | — | — | — | — | 890,000 | 34,795,000 | 35,620,000 |
| 2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875% | 7/1/2034 | 150,745,000 | — | — | — | — | — | — | 400,000 | 148,415,000 | 148,785,000 | 149,140,000 |
| 2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00% | 7/1/2030 | 218,975,000 | — | — | — | — | — | — | 214,290,000 | 214,800,000 | 215,285,000 | 215,745,000 |
| 2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0% | 7/1/2029 | 2,401,120 | 927,515 | 1,051,184 | 1,174,853 | 1,298,522 | 1,422,190 | 1,545,859 | 1,669,527 | 1,793,196 | 1,916,866 | 2,040,534 |
| 2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00% | 7/1/2015 | 28,240,000 | — | — | — | — | — | — | — | 9,435,000 | 19,855,000 | 28,240,000 |
| 2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25% | 1/1/2030 | 4,381,614 | 2,360,812 | 2,615,367 | 2,861,847 | 3,100,507 | 3,331,595 | 3,555,353 | 3,772,013 | 3,981,798 | 4,184,928 | 4,381,614 |
| 2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.81% | 1/1/2025 | 9,109,437 | 2,880,336 | 3,788,098 | 4,670,879 | 5,529,367 | 6,364,231 | 7,176,120 | 7,965,667 | 8,733,487 | — | — |
| 2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00% | 7/1/2036 | 28,750,000 | 23,295,000 | 24,290,000 | 25,260,000 | 26,185,000 | 27,070,000 | 27,920,000 | 28,750,000 | 28,750,000 | — | — |
| 2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62% | 7/1/2035 | 15,000,000 | 6,954,935 | 7,379,340 | 7,792,841 | 8,195,717 | 8,589,045 | 8,971,562 | 8,239,034 | — | — | — |
| 2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00% | 7/1/2037 | 124,790,000 | 124,790,000 | 124,790,000 | 124,790,000 | 124,790,000 | 124,790,000 | 124,790,000 | 124,790,000 | — | — | — |
| 2017 Water Revenue (Tax Exempt) Refunding Bonds 4.50%-5.00% | 7/1/2030 | 147,415,000 | 126,285,000 | 136,880,000 | 147,415,000 | 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 | 38,835,000 | 38,835,000 | 38,835,000 | 38,835,000 | — | — | — | — | — |
| 2021 Water Revenue (Tax Exempt) Refunding Bonds 1.19% | 6/1/2028 | 13,000,000 | 11,215,000 | 13,000,000 | — | — | — | — | — | — | — | — |
| Subtotal | | | 338,499,278 | 353,883,471 | 354,344,338 | 357,173,396 | 359,912,922 | 323,732,820 | 392,489,985 | 419,659,059 | 427,921,469 | 438,498,425 |
| Less unamortized net bond discount (premium) | | | (33,350,078) | (37,790,068) | (42,447,151) | (47,320,705) | (52,014,598) | (51,182,862) | (28,441,399) | (3,673,290) | (35,590) | (661,198) |
| Total debt before tax exempt commercial paper | | | 371,849,356 | 391,673,539 | 396,791,489 | 404,494,101 | 411,927,520 | 374,915,682 | 420,931,384 | 423,332,349 | 427,957,059 | 439,159,623 |
| Tax-Exempt Commercial Paper | | \$ 53,600,000 | — | — | 16,000,000 | 23,500,000 | 30,000,000 | 83,400,000 | 87,800,000 | 95,000,000 | 68,000,000 | 68,000,000 |
| Total Debt | | | <u>\$ 371,849,356</u> | <u>\$ 391,673,539</u> | <u>\$ 412,791,489</u> | <u>\$ 427,994,101</u> | <u>\$ 441,927,520</u> | <u>\$ 458,315,682</u> | <u>\$ 508,731,384</u> | <u>\$ 518,332,349</u> | <u>\$ 495,957,059</u> | <u>\$ 507,159,623</u> |

Truckee Meadows Water Authority
Schedule No. 19 - Debt by Service Connection
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015* | 2014 | 2013 |
| Total Debt | \$ 338,499,278 | \$ 353,883,471 | \$ 354,344,338 | \$ 357,173,396 | \$ 359,912,922 | \$ 323,732,820 | \$ 392,489,985 | \$ 419,659,060 | \$ 427,921,468 | \$ 438,498,425 |
| Total Service Connections | 131,632 | 128,988 | 127,977 | 125,911 | 123,845 | 121,572 | 119,772 | 114,529 | 89,070 | 88,268 |
| Debt per Service Connection | <u>\$ 2,572</u> | <u>\$ 2,744</u> | <u>\$ 2,769</u> | <u>\$ 2,837</u> | <u>\$ 2,906</u> | <u>\$ 2,663</u> | <u>\$ 3,277</u> | <u>\$ 3,664</u> | <u>\$ 4,804</u> | <u>\$ 4,968</u> |

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.

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 business-type activities and aggregate remaining fund information of Truckee Meadows Water Authority (TMWA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated December 28, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a significant deficiency.

Report on 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 financial statements. 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*.

TMWA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on TMWA's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. TMWA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
December 28, 2022



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance**

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Truckee Meadows Water Authority's (TMWA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the TMWA's major federal program for the year ended June 30, 2022. TMWA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, TMWA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of TMWA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of TMWA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to TMWA's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on TMWA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about TMWA's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding TMWA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of TMWA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of TMWA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Reno, Nevada
December 28, 2022



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, 2022, 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

There were no potential statute violations reported in the June 30, 2021 audit report.

Prior Year Recommendations

There were no findings for the year ended June 30, 2021.

Current Year Recommendations

Our current year recommendation is included in the schedule of findings and questioned costs.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Reno, Nevada
December 28, 2022

Truckee Meadows Water Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing Number | Award or Pass- Through Entity Identifying Number | Expenditures | Payments to Subrecipients |
|--|--|---|----------------------------|--------------------------------------|
| <u>U.S. Department of Homeland Security (DHS):</u> | | | | |
| Passed through Nevada Department of Public Safety Division of Emergency Management: | | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | TMWAC04 | \$ 314,902 | \$ — |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | TMWAD01v1 | 1,767,144 | — |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 143060 | 71,409 | — |
| Total U.S. Department of Homeland Security | | | <u>2,153,455</u> | <u>—</u> |
| <u>U.S. Environmental Protection Agency (EPA):</u> | | | | |
| Passed through One Truckee River: | | | | |
| Nonpoint Source Implementation Grants | 66.460 | DEPS 22-011 | 11,196 | — |
| Total U.S. Environmental Protection Agency | | | <u>11,196</u> | <u>—</u> |
| Total Federal Financial Assistance | | | <u><u>\$ 2,164,651</u></u> | <u><u>\$ —</u></u> |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Truckee Meadows Water Authority (TMWA) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of TMWA, it is not intended to and does not present the financial position, changes in net position, or cash flows of TMWA.

Note 2 - Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

TMWA has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|---|------------|
| Type of auditor’s report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | Yes |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|---|---------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance? | No |

Identification of Major Program:

| <u>Name of Federal Program</u> | <u>Federal Financial Assistance Listing</u> |
|--|---|
| Disaster Grants – Public Assistance (Presidentially Declared Disasters) | 97.036 |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings:

**2022-001: Financial Statement and Reconciliation Controls
Significant Deficiency**

| | |
|--|--|
| <i>Criteria:</i> | TMWA is to provide GAAP basis financial data for preparation of the annual financial statement . The Governmental Accounting Standards Board (GASB) Statement No. 9, <i>Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting</i> provides guidance for the Statement of Cash Flows required to be presented under GAAP. |
| <i>Condition:</i> | Based on audit procedures performed, we identified the Statement of Cash Flows has historically been prepared by management to focus on both cash and investments and should only focus on activity that relates to cash and cash equivalents as described in GASB Statement No. 9. This resulted in a restatement to Cash and cash equivalents, July 1, 2020 to restate the amount to only cash and cash equivalents as defined by GASB and remove investment amounts from the total. |
| <i>Cause:</i> | TMWA had internal controls over the financial statement reconciliation and based on the nature of their investment policies, all amounts are available on demand and are therefore, classified as cash equivalents. However, the policy did not adequately consider the external financial reporting presentation required by GASB Statement No. 9. |
| <i>Effect:</i> | Cash and cash equivalent included investment balances in the statement of cash flows which required a prior period adjustment as of July 1, 2020 to properly reflect the cash and cash equivalent as defined under GASB Statement No. 9. |
| <i>Recommendation:</i> | We recommend TMWA revisit how cash and equivalents are defined within policies and financial statement disclosures and to ensure that only cash and cash equivalents are included as the focus of the cash flow statements prepared within the financial statements moving forward. |
| <i>Views of Responsible Officials:</i> | TMWA agrees with this finding. |

2022

Popular Annual Financial Report





This Popular Annual Financial Report is based on accounting standards and audited information that is fully represented in TMWA's Annual Comprehensive Financial Report, which can be found at tmwa.com/financial-information.

TO OUR CUSTOMERS

TMWA exists to meet the drinking water needs of our community. Created in 2001 through a joint-powers agreement between Reno, Sparks and Washoe County, we are governed by a Board of Directors that has representatives from each entity.

As a community-owned, non-profit utility, we focus on maintaining high levels of efficiency. We strive to keep operating costs low and our production capabilities robust—while keeping the delivery of exceptional water our highest priority.

By reading this report, customers will understand how TMWA accomplishes the goals above from a financial perspective. When economic conditions become challenging, as proven in 2008 and again this year, TMWA's financial approach gets tested.

Currently in the face of inflation and interest rate increases, TMWA remains in a solid financial position. Key shifts were made in recent years to hold only fixed-rate bonds. Additionally, as inflation drove up energy costs (TMWA's largest operating expense), our hydroelectric power generation income buffered the impact. Our customers have helped, too. When costs for paper billing and postage doubled last year, our call for paperless billing resulted in approximately \$183,000 per year saved in postage alone!

In 2022 TMWA's diligent approach to financial management was formally recognized, with the utility earning top-line investment ratings as a AAA agency. More about this significant achievement can be found on page 7, and other national level recognitions TMWA has received can be found on page 8.

This is a summary of a more extensive Annual Comprehensive Financial Report (ACFR), which is externally audited. The ACFR must be approved by the Board of Directors and filed with the Nevada Department of Taxation each year. Access to TMWA's current financial reports can be found at tmwa.com/financial-information.

It's our honor to serve our community with transparency and integrity, and we appreciate your interest in TMWA's finances.



Matt Bowman
Chief Financial Officer
Truckee Meadows Water Authority

TRUCKEE MEADOWS WATER AUTHORITY'S MULTI-JURISDICTIONAL GOVERNING BOARD

Truckee Meadows Water Authority (TMWA) is a not-for-profit, community-owned water utility. Its Board of Directors is comprised of seven elected officials and citizen appointees from Reno, Sparks, and Washoe County. TMWA has no financial interdependence with any of its member agencies.

While representing each jurisdiction, board members collectively make policy decisions and issue directives with a regional perspective. This leadership body oversees TMWA's ongoing mission fulfillment to provide exceptional, high-quality drinking water to residents throughout the Truckee Meadows.



VAUGHN HARTUNG
Chairman

Washoe County
Commissioner



KRISTOPHER DAHIR
Vice Chairman

Sparks City Council Member



PAUL ANDERSON
Director

Sparks City Council Member



JENNY BREKHUS
Director

Reno City Council Member



NAOMI DUERR
Director

Reno City Council Member



DEVON REESE
Director

Reno City Council Member



ALEXIS HILL
Director

Washoe County Commissioner

SENIOR MANAGEMENT

JOHN ZIMMERMAN
General Manager

MATT BOWMAN, CPA
Chief Financial Officer

ANDY GEBHARDT
Director of Distribution,
Maintenance, and Generation

DANNY ROTTER, PE
Director of Engineering

JESSICA ATKINSON
Director of Human Resources

STEFANIE MORRIS, ESQ.
Director of Legal
and Regulatory Affairs

JOHN ENLOE, PE
Director of Natural Resources
Planning, and Management

WILL RAYMOND
Director of Operations
and Water Quality

YOUR WATER AUTHORITY

TMWA provides drinking water to over 440,000 residents in Reno, Sparks, and Washoe County — a service area that stretches 170.9 square miles. The primary source of water is the Truckee River, which flows from Lake Tahoe and other tributaries in the watershed upstream of the Truckee Meadows. The lowest elevation point in TMWA's distribution infrastructure is 3,983 feet, and the highest point is 6,676 feet, which is above the elevation of Lake Tahoe. Delivering water across this topographic area includes maintaining nearly 280 pressure zones.

WATER DELIVERY

4

**Number of water
treatment facilities**

187+

**Million Gallons per Day (MGD)
Maximum drinking water
production capacity**

100%

**Safe Drinking Water
Act compliance**

WHO WE SERVE

131,632

Customer accounts

440,000+

Residents

170.9sq.mi.

Service area

ASSETS

\$780m

**Capital asset investment
since 2001**

2,802

**Miles of pressurized
mainline**

\$1,045m

Total capital assets

FY 2022 PERFORMANCE

\$114.6m

Operating revenue

\$98.6m

Operating expenses

\$12.0m

Interest expense

FINANCIAL RATINGS

Aa2

Moody's

AA+

S&P

AAA

Fitch



The Highland Canal

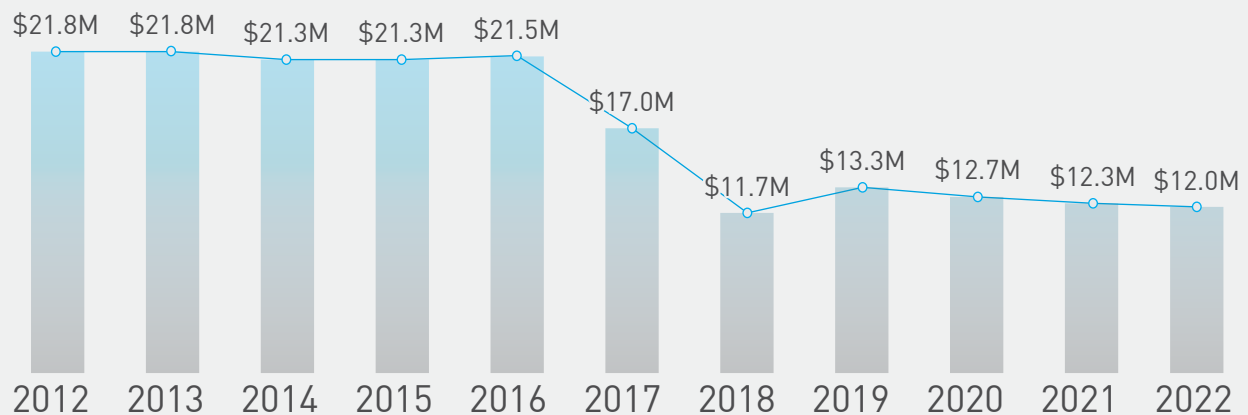
MEETING OUR OBLIGATIONS

By issuing bonds to purchase Sierra Pacific Power Company's water business in 2001, TMWA became responsible for the debt repayment of \$452 million. This important investment secured local control of our water resources. TMWA's diligent and strategic management of its financial obligations since then is part of the reason Moody's, S&P, and Fitch have upgraded TMWA's ratings over the years.

This disciplined approach has been successful. Over the past decade, TMWA has reduced interest expense by nearly 50% and has paid down its principal by \$137 million. As of June 30, 2022, TMWA's total outstanding debt was \$372 million.

An important aspect of this pay-down strategy has been accomplished through the refunding of older bonds and issuing newer ones with a lower interest rate. Proactive approaches like this have helped strengthen TMWA's financial ratings, while also paying off debt faster.

TMWA'S REDUCED INTEREST EXPENSE OVER THE PAST 10 YEARS



TMWA RECEIVES AAA RATING FROM FITCH

Much like a personal credit score, ratings are used to help validate the financial standing and creditworthiness of institutions across the country—including TMWA. These ratings are provided by agencies that are nationally recognized by the US Securities and Exchange Commission. The top three rating agencies in the United States are Moody's Investors Service, Standard and Poors Global Ratings (S&P) and Fitch Ratings.

While TMWA has enjoyed “high grade” ratings consistently for years, in the last fiscal year the utility was upgraded to the top-tier “AAA” rating from Fitch. According to Fitch's March 2022 assessment report, “**The upgrade is further supported by the resilience of the service area during the recent economic contraction, which demonstrated an increasingly diversified and much-improved service territory as compared to a decade ago.**”

“Having a AAA bond rating helps TMWA secure lower interest rates, essentially making cash more available and affordable. This helps us fund big projects when needed. It also allows us to have a very proactive approach in doing what's needed to fund and maintain the infrastructure that serves our community.”

- Matt Bowman, Chief Financial Officer
Truckee Meadows Water Authority

THE 'AAA' CHECKLIST

With high grade credit ratings, TMWA's ability to issue ‘investment-grade’ bonds to fund its capital projects is enhanced. At this level investors can look at TMWA with a high level of confidence that they will get their investment back.

The key drivers and profile considerations that were cited when TMWA received its AAA rating from Fitch include:



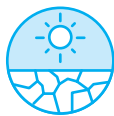
Very low operating
cost burden



Moderate
investment needs



Water system
treatment capacity



Drought resiliency by combined
surface and groundwater supplies



Water rates are kept affordable
for the vast majority of customer
(based on local income levels)



Practice of a ‘growth pays
for growth’ policy

WHERE TMWA STANDS

TMWA stands tall on the hierarchy of credit ratings categories. The table below demonstrates TMWA's financial position, according to the top three rating agencies in the United States.

| Bond Rating | | | Rating Category |
|-------------|-----------|---------|--------------------|
| FITCH | MOODY'S | S&P | |
| ✓ AAA | Aaa | AAA | ✓ PRIME |
| AA+ | Aa1 | ✓ AA+ | ✓ HIGH GRADE |
| AA | ✓ Aa2 | AA | |
| AA- | Aa3 | AA- | |
| A+ | A1 | A+ | UPPER MEDIUM GRADE |
| A | A2 | A | |
| A- | A3 | B | |
| B +/- | Baa 1 2 3 | BBB +/- | LOWER MEDIUM GRADE |

Bond ratings are expressed as letters ranging from "AAA" or "Aaa" which is the highest grade, to "D" ("junk"), which is the lowest grade. Different rating services use the same letter grades but use various combinations of uppercase and lowercase letters to differentiate themselves.

OTHER NOTABLE AREAS OF TMWA RECOGNITION

WaterReuse Association – President's Award

Joint Recognition with OneWater Nevada, Community Water Champion

Partnership for Safe Water – President's Award

Water Treatment System, Chalk Bluff Water Treatment Plant

American Public Works Association, Nevada Chapter – Project of the Year

Historic Restoration / Preservation, Fleish Hydroelectric Power Plant Flume

American Water Works Association – Exemplary Source Water Protection

Regional Collaboration, Truckee River Watershed

Truckee Meadows American Society of Civil Engineers – Project of the Year

Joint Recognition with OneWater Nevada, Advanced Purified Water Demonstration Project



ADVANCING TMWA'S CLIMATE RESILIENCY

Researching Groundwater Capacity at American Flat

Managing groundwater in tandem with surface water has been a key component of TMWA's drought resiliency approach. In fact, through its Aquifer Storage and Recovery program, TMWA adds potable water from the Truckee River and Whites Creek into aquifers at numerous well sites throughout the region.

Since 2017, in collaboration with the City of Reno, Washoe County and the University of Nevada, TMWA has been using A+ Advanced Purified Water to test groundwater storage capabilities at the American Flat aquifer. The "American Flat Injection and Feasibility Study," completed last spring, determined that up to two million gallons of water per day could be recharged into the aquifer. To further this project, TMWA and City of Reno have entered into an Interlocal Agreement to share in the cost of construction, which is expected to happen over the next several years at a cost of approximately \$120m.

Upon development, water storage at American Flat could offer the region an expanded local, reliable, drought-proof source of water. To learn more about American Flat and advanced water purification technologies that could optimize the use of water in our region, go to onewaternevada.com.

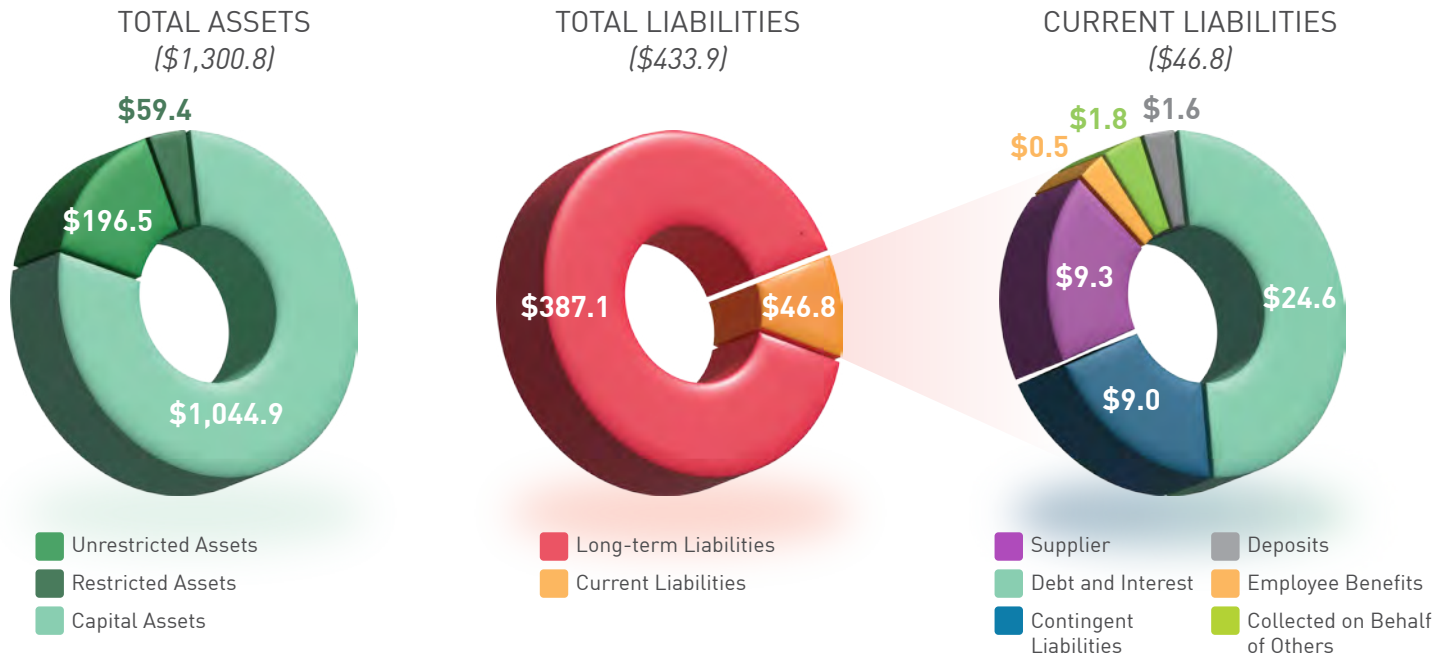


Drilling at American Flat

THE BIG PICTURE ON TMWA'S FINANCIAL POSITION

Net Position provides a point-in-time 'snapshot' of the financial status for governmental organizations. Much like a balance sheet, Net Position provides insight into what government agencies own (assets) and what they owe (liabilities) at the end of each fiscal year.

AT-A-GLANCE *(in millions)*



STATEMENT OF NET POSITION *(in millions)*

| | 2022 | 2021 | 2020 | 2019 |
|---|----------------|----------------|----------------|----------------|
| Unrestricted Current Assets | 189.4 | 192.8 | 168.7 | 171.1 |
| Restricted Current Assets | 33.3 | 31.1 | 27.7 | 15.7 |
| Long-Term Restricted and Other Assets | 26.1 | 27.3 | 29.8 | 29.5 |
| Net OPEB Asset | 6.0 | 3.4 | 2.3 | - |
| Capital Assets, net | 1,052.0 | 1,027.0 | 1,007.7 | 980.7 |
| Total Assets | 1,300.8 | 1,276.9 | 1,236.2 | 1,197.0 |
| Deferred Outflow of Resources | 22.4 | 12.8 | 14.9 | 14.1 |
| Total Assets and Deferred Outflow of Resources | 1,323.3 | 1,289.2 | 1,251.1 | 1,211.1 |
| Total Current Liabilities | 46.8 | 47.2 | 47.9 | 47.1 |
| Long Term Debt Outstanding | 355.4 | 376.3 | 383.3 | 401.7 |
| Net Pension and Other Current Liabilities | 28.6 | 42.2 | 43.5 | 41.6 |
| Total Liabilities | 433.9 | 469.2 | 474.7 | 490.4 |
| Deferred Inflow of Resources | 29.1 | 6.4 | 6.7 | 2.5 |
| Total Liabilities and Deferred Inflow of Natural Resources | 463.0 | 475.6 | 481.4 | 492.9 |
| Net Investment in Capital Assets | 693.0 | 649.1 | 617.5 | 573.2 |
| Restricted | 52.4 | 50.7 | 50.0 | 37.6 |
| Unrestricted | 114.8 | 114.4 | 102.2 | 107.3 |
| Total Net Position | 860.3 | 814.2 | 769.7 | 718.1 |

CHANGES IN NET POSITION

Changes in Net Position (formally, the Statement of Revenues, Expenses and Changes in Net Position) is a financial statement focusing on a particular time period. This statement below covers TMWA's fiscal year from July 1 to June 30. Much like an income statement, it describes four key items—revenue, expenses, gains (through contributions), and losses.

CHANGES IN NET POSITION *(in millions)*

| | 2022 | 2021 | 2020 | 2019 |
|--|--------------|--------------|--------------|--------------|
| Operating Revenues | 114.6 | 115.4 | 108.1 | 107.1 |
| Operating Expenses | 98.6 | 98.2 | 94.1 | 92.5 |
| Operating Income | 16.0 | 17.2 | 14.0 | 14.6 |
| Nonoperating Revenues (Expenses), net | (21.5) | (14.1) | (6.6) | (6.7) |
| Income before Capital Contributions | (5.5) | 3.1 | 7.4 | 7.9 |
| Capital Contributions | 51.6 | 41.4 | 44.2 | 42.2 |
| Change in Net Position | 46.1 | 44.4 | 51.6 | 50.1 |
| Net Position — Beginning of Year | 814.2 | 769.7 | 718.1 | 668.0 |
| Net Position — End of Year | 860.3 | 814.2 | 769.7 | 718.1 |



To view TMWA's complete financial statements, visit the Annual Comprehensive Financial Report at tmwa.com/financial-information.

EXPLANATION OF TERMS

UNRESTRICTED ASSETS: Assets such as cash, accounts receivable, deposits, and prepaid expenses that can be used and managed with flexibility.

RESTRICTED ASSETS: Assets that must be used for specific purposes, primarily the repayment of debt.

CAPITAL ASSETS: Fixed physical assets, such as water mains, treatment plants, pump and pressure regulating stations, water tanks, vehicles, etc.

DEFERRED FLOW OF RESOURCES: Accounting for revenue or expenses that will occur in the future.

TOTAL NET POSITION: Balance of a governmental organization's assets against its liabilities.

OPERATING REVENUES: Money generated from water, hydroelectric, and other operating sales. From this amount, operating expenses are subtracted to determine operating income.

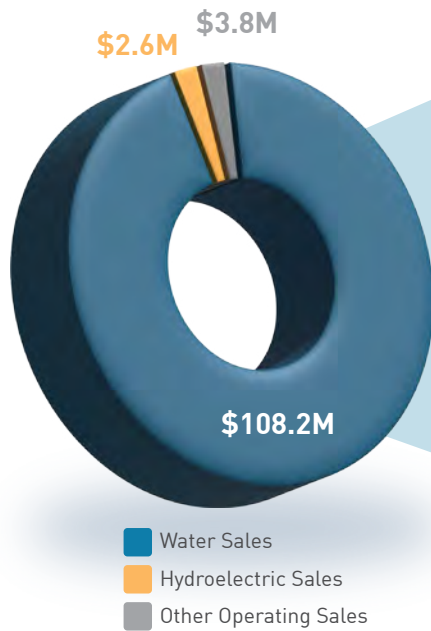
OPERATING EXPENSES: Costs that are directly associated with day-to-day operation, such as wages, benefits, and services/supplies.

NONOPERATING REVENUE OR EXPENSES: Income or costs that are not directly attributable to core business operations (i.e., interest expense and investment income).

CAPITAL CONTRIBUTIONS: Grant proceeds or funds that are invested into TMWA's infrastructure.

INCOMING: WATER SALES PROVIDE 94% OF TMWA'S OPERATING REVENUE

TOTAL OPERATING REVENUE
(\$114.6M)



WATER SALES BREAKDOWN

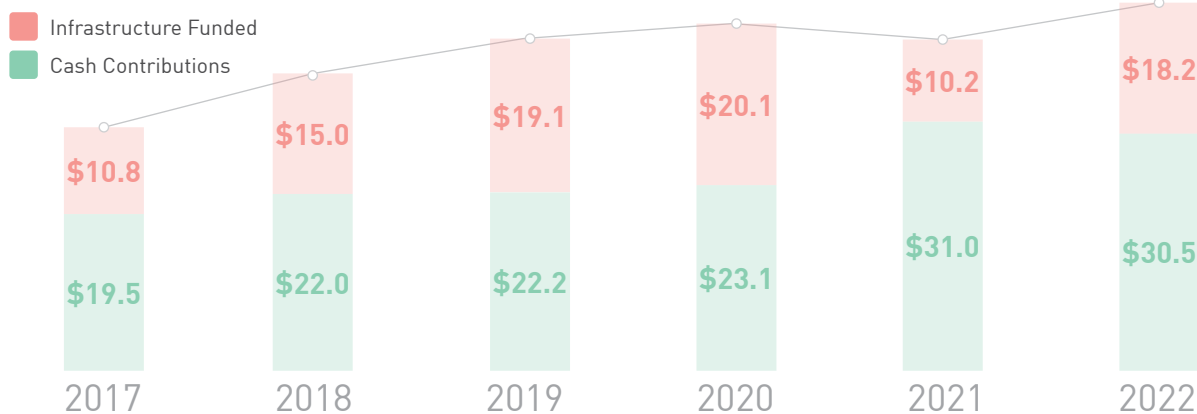


GROWTH PAYING FOR GROWTH

Neither TMWA nor its customers underwrite or pay for new infrastructure for residential or commercial development. To protect ratepayers from the short and long-term costs of service-area expansion, cash and infrastructure contributions from developers are required. Over the past six years, total developer contributions for new growth have exceeded \$240 million.

New development projects are approved by the county and cities. Water rights must be dedicated to TMWA before building can begin. For each acre-foot of surface water needed to serve new development, an additional 11% of water rights is required and must be dedicated to TMWA for drought storage.

DEVELOPERS FUND GROWTH (in millions)



OUTGOING: HOW TMWA SPENDS BY THE DOLLAR

TMWA'S SPENDING ALLOCATIONS, REPRESENTED AS CENTS ON THE DOLLAR



EXPLANATION OF EXPENSES

SALARIES, WAGES & EMPLOYEE BENEFITS

Compensation paid to our workforce in performing TMWA's day-to-day operations.

SERVICES & SUPPLIES

Non-payroll related expenses of day-to-day operations, (i.e., treatment supplies, infrastructure maintenance, distribution, customer service, etc.).

PRINCIPAL & INTEREST ON CUSTOMER RELATED DEBT

Principal and interest payments on all loans outstanding except those associated with service territory expansion.

REHABILITATIVE CAPITAL SPENDING

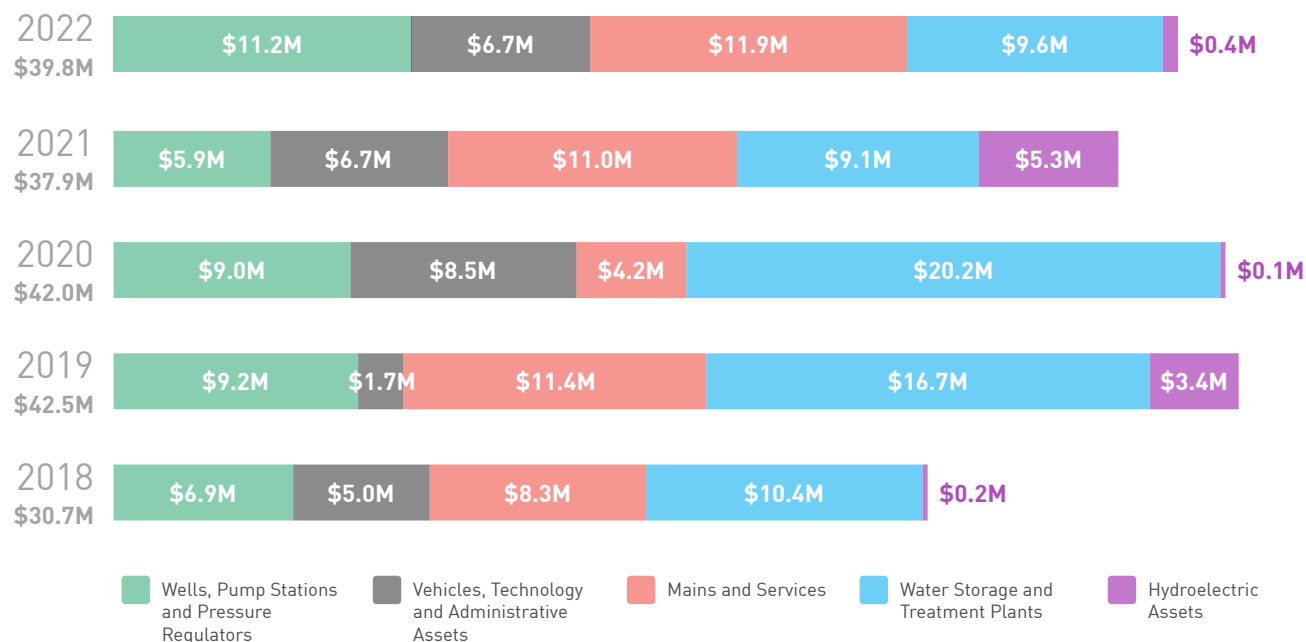
The cost of replacing and maintaining existing capital assets, (i.e., water treatment plants, infrastructure replacements, storage tanks, etc.).

KEEPING WATER FLOWING

Day or night, when customers turn on their taps, they expect the water to flow. This means 24/7 operations for TMWA. With a system that operates constantly, there is almost always something within our extensive infrastructure that requires maintenance, rehabilitation, or replacement.

Although maintenance needs and planned project expenses can shift each year, TMWA's primary infrastructure investments are typically captured in three categories: 1) Wells, pump stations and pressure regulators; 2) mains and services; and 3) water storage and treatment plants.

CAPITAL SPENDING BY CATEGORY



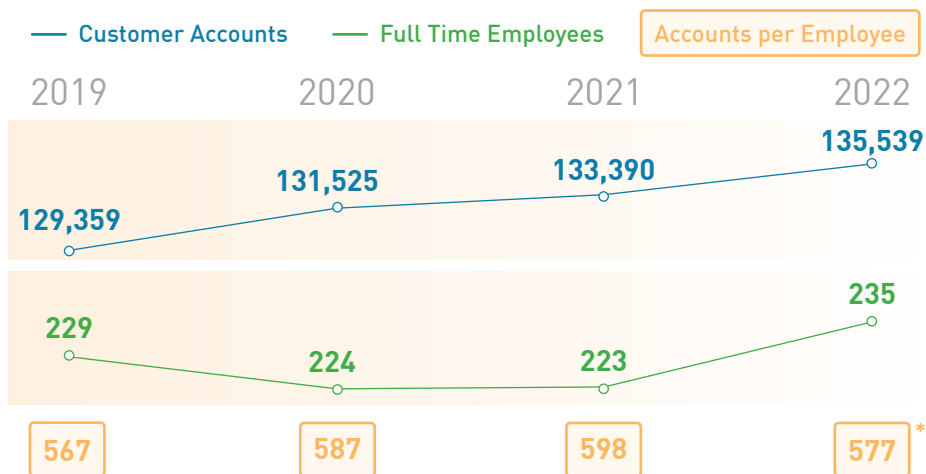
Chalk Bluff Water Treatment Plant

MEETING NATIONAL BENCHMARKS

Each year, TMWA reviews its operational performance against benchmarking standards defined by the American Water Works Association (AWWA), which has a membership of over 4,300 that represents 80% of the water utility companies in the US. TMWA sets its performance goal targets to meet or exceed AWWA's top quartile benchmarks.

WORKFORCE EFFICIENCY

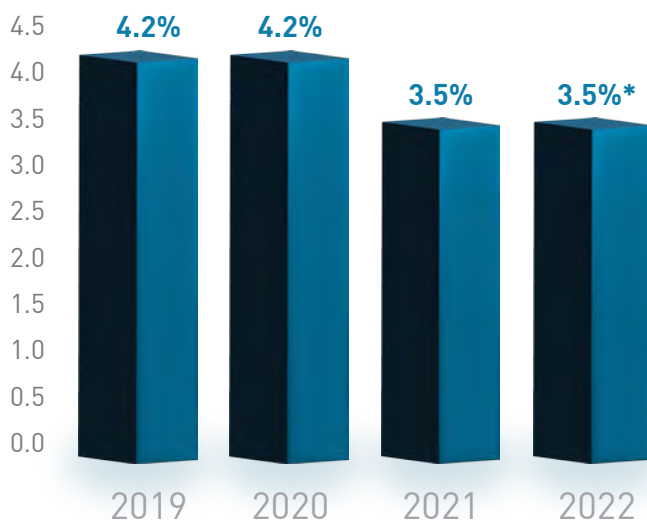
Workforce efficiency is measured by the ratio of customer accounts to employee. Workforce challenges associated with the COVID-19 pandemic can be seen in the reduction of TMWA's workforce in 2020 and 2021 due to retirements and delays in hiring; 2022 represents the correction.



*2022 AWWA top quartile benchmark is 581

FINANCIAL EFFECTIVENESS

Financial effectiveness is measured by the change in net position divided by total assets. This demonstrates an organization's ability to use its assets to generate income. When financial effectiveness percentages are positive, an organization is in a strong position to secure capital for major projects. TMWA frequently exceeds AWWA benchmarks for financial effectiveness as demonstrated in the chart below.



*2022 AWWA top quartile benchmark is 3.5%



INTEGRATING IT ALL

This document is a high-level overview of **TMWA's Annual Comprehensive Financial Report**, which offers a detailed review of multiple financial statements as well as the policies that guide TMWA's approach to managing funds.

This annual financial report gives insight into the fiscal health of TMWA's operations year after year. Beyond annual financial reporting, TMWA has an integrated planning approach across three areas of focus: Funding, Facilities, and Water Resources.

TMWA's Funding Plan projects into the next five years, whereas the Facility and Water Resource Plans look 20+ years into the future. Although these are three distinct planning efforts, the implementation of the plans is integrated.

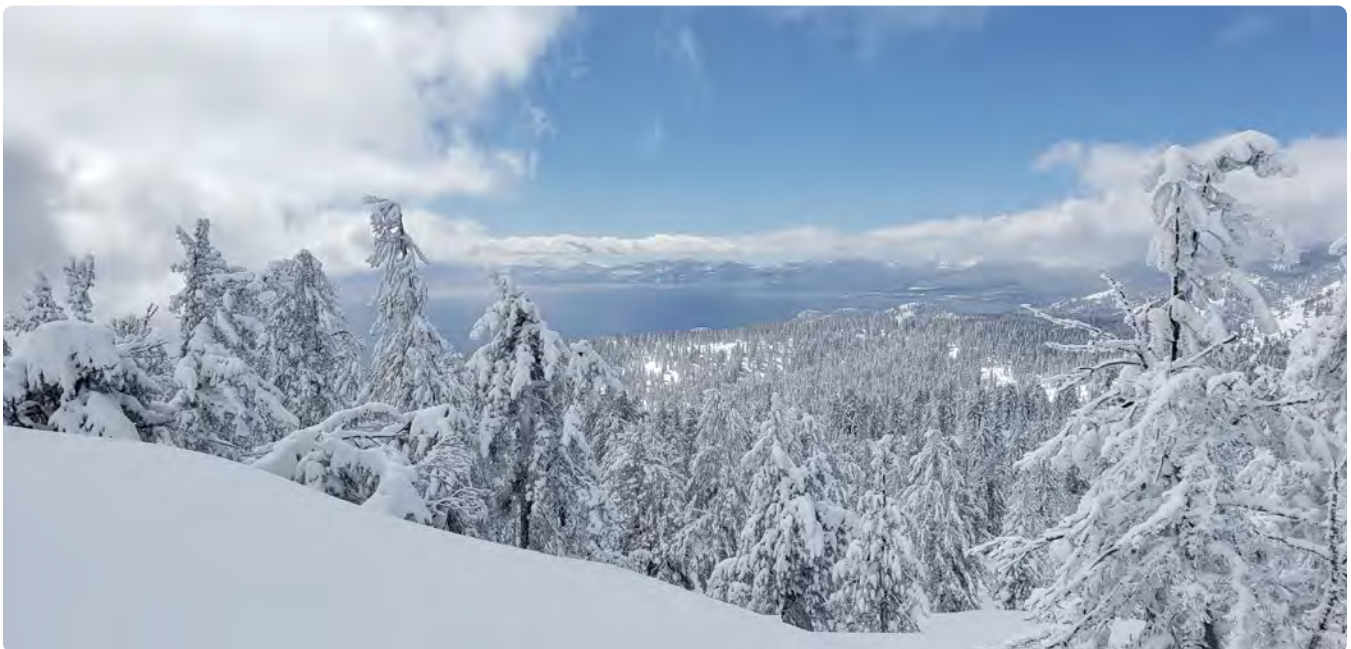
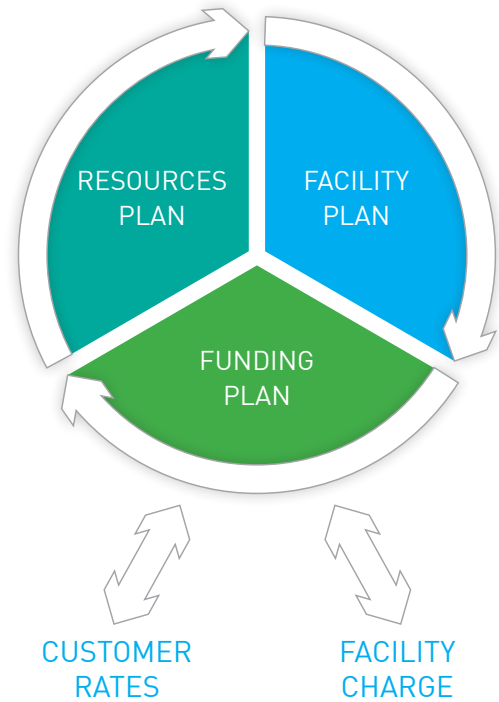
For example:

The **Water Resource Plan** estimates water supply and demand, giving insight into the facility capacity that will be needed for TMWA's future infrastructure.

The **Facility Plan** identifies the condition of TMWA's existing capital assets and project expansions needed to meet future growth, as identified in the Water Resource Plan. Facility charges are calculated based on the Facility Plan and are what builders and developers pay to connect new construction to the water system. This keeps customer rates protected from the cost of new developments, ensuring growth pays for growth.

The **Funding Plan** is a five-year operations plan that also incorporates the Five-Year Capital Improvement Plan. It is a thorough analysis of all revenues and expenses, as well as any capital improvements and infrastructure needed—with an assessment of overall spending and identification of funding options.

This integrated planning approach is how TMWA can both ensure the delivery of high-quality drinking water while keeping customer rates as low as possible for years to come. To see all of TMWA's most recent plans, go to tmwa.com/planning.



Winter in the Lake Tahoe Basin



*Hydroelectric flume along
the Truckee River*



STAFF REPORT

TO: Chairman and Board Members
THRU: John R. Zimmerman, General Manager
FROM: Matt Bowman, Chief Financial Officer
DATE: February 6, 2023
SUBJECT: Discussion and action, and possible direction to staff on adoption of Resolution No. 313, a resolution to approve the first budget augmentation and budget revisions for FY 2023

RECOMMENDATION

Staff recommends that the Board of Directors of the Truckee Meadows Water Authority (TMWA) approve the resolution adopting the proposed budget augmentation/revisions, and direct staff to forward the approved resolution and attachment to the Department of Taxation for the State of Nevada pursuant to NRS 354.598005; and record these changes in the minutes of the board meeting.

SUMMARY

The Board approved final budget was submitted to the State of Nevada in June 2022. NRS 354.626 outlines the requirement that local governments cannot overspend their adopted budget. Therefore, staff is bringing forward this proposed augmentation.

This is the first augmentation and relates to unexpected increases in the price of electric power and water treatment chemicals. Electric power and water treatment chemicals are the two largest elements of TMWA's services and supplies budget and account for about 7% of the total operating expense budget. Staff is proposing a \$4.9m increase to these items for FY 2023. There are no other adjustments proposed to the FY 2023 budget. See Attachment A-1 for a comparison between the original and proposed budget.

DESCRIPTION

The proposed increases to the budget are primarily the result of price increases to both electric power and water treatment chemicals.

Electric power – Since the preparation of the FY 2023 budget, NV Energy has instituted several rate increases, including quarterly Base Tariff Energy Rate (BTER), Deferred Energy Accounting Adjustment (DEAA) increases and a general rate increase.

- The BTER and DEAA increases occur each quarter and reflect changes in fuel and purchased power costs incurred by NV Energy. Quarterly increases have totaled approximately 35% since April 1, 2022, with the largest coming on January 1, 2023 of 15%. An additional 8% increase is expected on April 1, 2023.

- The general rate increase is broader and reflects general business operation and infrastructure needs. This increase was effective January 1, 2023 and was approximately 14% for TMWA.

The increases prior to January 1, 2023 have led to a budget variance of approximately \$0.9m (27%) through the first half of the fiscal year. Considering the increases effective January 1, 2023, staff expects total power costs to be approximately \$2.6m higher than budget by the end of the year.

Water treatment chemicals – Generally caused by inflation, TMWA has seen significant increases in chemical costs during the last quarter of FY 2022 and through the first half of FY 2023. Price increases of approximately 75% in the last year combined with increased consumption due to turbidity events, have led to a budget variance in the first half of the fiscal year of approximately \$1.1m. Based on expected consumption and pricing in the second half of the fiscal year, staff estimates an adjustment is needed of \$2.3m to the FY 2023 budget.

This augmentation will not affect the approved rate increase of 2.5% planned for June 2023.

Truckee Meadows Water Authority

FY 2023 Budget Augmentation
Electric Power and Chemicals

| | Original Budget FY 2023 | Proposed Augmented Budget FY 2023 | Change \$ | Change % |
|---|-------------------------|-----------------------------------|----------------|----------|
| OPERATING REVENUES | | | | |
| Charges for Water Sales | \$ 113,142,185 | \$ 113,142,185 | \$ - | 0% |
| Hydroelectric Sales | 2,407,214 | 2,407,214 | - | 0% |
| Other Operating Sales | 3,861,065 | 3,861,065 | - | 0% |
| Total Operating Revenues | 119,410,464 | 119,410,464 | - | 0% |
| OPERATING EXPENSES | | | | |
| Salaries and Wages | 29,656,188 | 29,656,188 | - | 0% |
| Employee Benefits | 12,842,853 | 12,842,853 | - | 0% |
| Services and Supplies | 33,719,064 | 38,572,515 | 4,853,451 | 14% |
| Total Operating Expenses Before Depreciation | 76,218,105 | 81,071,556 | 4,853,451 | 6% |
| Depreciation | 34,628,346 | 34,628,346 | - | 0% |
| Total Operating Expenses | 110,846,451 | 115,699,902 | 4,853,451 | 4% |
| OPERATING INCOME | 8,564,013 | 3,710,562 | (4,853,451) | -57% |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Earnings | 3,064,024 | 3,064,024 | - | 0% |
| Loss on Disposal of Assets | (1,700,000) | (1,700,000) | - | 0% |
| Interest Expense | (11,499,699) | (11,499,699) | - | 0% |
| Total Nonoperating Revenues (Expenses) | (10,135,675) | (10,135,675) | - | 0% |
| Gain (Loss) Before Capital Contributions | (1,571,662) | (6,425,113) | (4,853,451) | 309% |
| CAPITAL CONTRIBUTIONS | | | | |
| Grants | 3,585,635 | 3,585,635 | - | 0% |
| Water Resource Sustainability Program | 2,840,000 | 2,840,000 | - | 0% |
| Developer Infrastructure Contributions | 21,903,168 | 21,903,168 | - | 0% |
| Developer Will-serve Contributions (Net of Refunds) | 7,245,700 | 7,245,700 | - | 0% |
| Developer Capital Contributions - Other | 11,044,199 | 11,044,199 | - | 0% |
| Developer Facility Charges (Net of Refunds) | 13,186,258 | 13,186,258 | - | 0% |
| Contributions from Others | 94,924 | 94,924 | - | 0% |
| Contributions from Other Governments | 21,100,000 | 21,100,000 | - | 0% |
| Net Capital Contributions | 80,999,884 | 80,999,884 | - | 0% |
| CHANGE IN NET POSITION | \$ 79,428,222 | \$ 74,574,771 | \$ (4,853,451) | -6% |

| | Original Budget | Proposed Augmented Budget | Change \$ | Change % |
|----------------|-----------------|---------------------------|-----------|----------|
| Chemicals | 2,621,999 | 4,911,988 | 2,289,989 | 87% |
| Electric Power | 5,508,542 | 8,072,004 | 2,563,462 | 47% |
| | 8,130,541 | 12,983,992 | 4,853,451 | 60% |

Chemical augmentation - chemical costs are nearly double what was expected in the first half of the fiscal year due to increased consumption and price increases. Price increases account for approximately 75% of the increase with increased consumption approximately 25%.

Electric power augmentation - electric power costs are up 27% from budget in the first half of the fiscal year. However, based on rate increases in January, and an additional increases expected in April, we estimate power costs to be 47% higher than budget for the year. The total increase in pricing (rates) we've contemplated since the budget was prepared is ~41%.



TO: Board of Directors
THRU: John R. Zimmerman, General Manager
FROM: Matt Bowman, Chief Financial Officer
DATE: February 6, 2023
SUBJECT: Presentation of Fiscal Year 2023 Q2 Year-to-Date Financial Results

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 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|------------------------|--------------------|--------------------|-----------------|------------|
| CHANGE IN NET POSITION | \$ 34,648,498 | \$ 50,899,774 | \$ (16,251,276) | (32)% |

Change in net position was \$16.3m or 32% lower than budget through the first half of fiscal year 2023. This was driven by lower operating revenues, higher operating expenses, a nonoperating loss due to the decrease in the fair value of investments and lower than budgeted contributions related to the construction of the Advanced Purified Water (APW) facility at American Flat.

Year over Year

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|------------------------|--------------------|--------------------|-------------|------------|
| CHANGE IN NET POSITION | \$ 34,648,498 | \$ 34,348,618 | \$ 299,880 | 1 % |

Change in net position was \$0.3m or 0.9% higher than the prior year. This was due to higher operating revenues and capital contributions offset by higher operating expenses and a higher loss due to the decrease in fair value of investments.

RevenueBudget to Actual

| | Actual YTD 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|---------------------------|--------------------|--------------------|-------------|------------|
| OPERATING REVENUES | | | | |
| Charges for Water Sales | 66,864,446 | 68,523,259 | (1,658,813) | (2)% |
| Hydroelectric Sales | 1,363,273 | 898,731 | 464,542 | 52 % |
| Other Operating Sales | 1,782,890 | 1,930,532 | (147,642) | (8)% |
| Total Operating Revenues | 70,010,609 | 71,352,522 | (1,341,913) | (2)% |

Operating revenue was \$1.3m or 2% lower than budget for the first half 2023. This was mostly driven by lower water sales. Water consumption was lower than expected primarily due to high precipitation mid-summer. Water consumption during the second quarter was slightly higher than budget, helping to offset the variance from Q1.

Year over Year

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|---------------------------|--------------------|--------------------|-------------|------------|
| OPERATING REVENUES | | | | |
| Charges for Water Sales | 66,864,446 | 65,048,525 | 1,815,921 | 3 % |
| Hydroelectric Sales | 1,363,273 | 714,974 | 648,299 | 91 % |
| Other Operating Sales | 1,782,890 | 1,988,759 | (205,869) | (10)% |
| Total Operating Revenues | 70,010,609 | 67,752,258 | 2,258,351 | 3 % |

Total operating revenues were higher than prior year by \$2.3m or 3%. Water sales were higher than prior year due to slightly higher consumption and the June 2022 rate increase of 2.5%. Hydroelectric sales were higher due to sustained river flows and plants online for more time than in the prior year.

Operating Expenses

Budget to Actual

| | Actual YTD 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|--|--------------------|--------------------|-------------|------------|
| OPERATING EXPENSES | | | | |
| Salaries and Wages | 14,547,872 | 14,735,205 | (187,333) | (1)% |
| Employee Benefits | 6,121,404 | 6,381,201 | (259,797) | (4)% |
| Services and Supplies | 19,340,280 | 17,454,275 | 1,886,005 | 11 % |
| Total Operating Expenses Before Depreciation | 40,009,556 | 38,570,681 | 1,438,875 | 4 % |
| Depreciation | 17,210,268 | 17,314,174 | (103,906) | (1)% |
| Total Operating Expenses | 57,219,824 | 55,884,855 | 1,334,969 | 2 % |

Total operating expenses were \$1.3m higher (2%) than budget for the first half 2023. Salaries and wages and employee benefits are both lower due primarily to position vacancies. Services and supplies were \$1.9m (11%) higher than budget due mostly to price increases for materials and supplies. Electric power and water treatment plant chemical costs are approximately \$2.0m higher than budget through the first half. Other minimal variances are offsetting these two items.

Year over Year

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|--|--------------------|--------------------|-------------|------------|
| OPERATING EXPENSES | | | | |
| Salaries and Wages | 14,547,872 | 12,720,624 | 1,827,248 | 14 % |
| Employee Benefits | 6,121,404 | 5,481,744 | 639,660 | 12 % |
| Services and Supplies | 19,340,280 | 16,222,849 | 3,117,431 | 19 % |
| Total Operating Expenses Before Depreciation | 40,009,556 | 34,425,217 | 5,584,339 | 16 % |
| Depreciation | 17,210,268 | 16,717,405 | 492,863 | 3 % |
| Total Operating Expenses | 57,219,824 | 51,142,622 | 6,077,202 | 12 % |

Year over year operating expenses were \$6.1m higher than the first half of the prior year. Cost of living increases, step increases, and additions to staff during FY 2022 and in the first two quarters of FY 2023 led to the increase in salaries and wages and employee benefits. Services and supplies expenses are higher due to the reasons discussed above, primarily price increases to electric power and chemical costs.

Non-Operating ExpensesBudget to Actual

| | Actual YTD 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|--|--------------------|--------------------|-------------|------------|
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Earnings | 1,488,405 | 1,532,012 | (43,607) | (3)% |
| Net Increase (Decrease) in FV of Investments | (2,973,676) | — | (2,973,676) | — % |
| Gain (Loss) on Disposal of Assets | 3,802 | (850,000) | 853,802 | (100)% |
| Amortization of Bond/note Issuance Costs | — | — | — | — % |
| Interest Expense | (5,760,507) | (5,749,849) | (10,658) | — % |
| Total Nonoperating Revenues (Expenses) | (7,241,976) | (5,067,837) | (2,174,139) | 43 % |

Nonoperating expenses were \$2.2m higher than budgeted through the first half of 2023. The primary driver was a loss on fair value of investments, which is caused when the value of investments held (based on the coupon rate) is lower than current market value of the same investment. Due to the unprecedented rise in interest rates over the last nine months, the fair value decrease has been significant.

Year over Year

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|--|--------------------|--------------------|-------------|------------|
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Earnings | 1,488,405 | 986,911 | 501,494 | 51 % |
| Net Increase (Decrease) in FV of Investments | (2,973,676) | (2,117,643) | (856,033) | 40 % |
| Gain (Loss) on Disposal of Assets | 3,802 | 83,284 | (79,482) | (95)% |
| Amortization of Bond/note Issuance Costs | — | 801 | (801) | (100)% |
| Interest Expense | (5,760,507) | (5,985,161) | 224,654 | (4)% |
| Total Nonoperating Revenues (Expenses) | (7,241,976) | (7,031,808) | (210,168) | 3 % |

Nonoperating expenses were higher than prior year during through the first half by \$0.2m, primarily due to the decrease in fair value of investments as discussed above. The rise in interest rates has been accelerated compared to the first half of the prior year which led to a larger decrease in fair value. Interest expense is lower due to lower principal amount of outstanding debt as TMWA makes scheduled principal debt payments.

Capital Contributions

Budget to Actual

| | Actual YTD 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|---|--------------------|--------------------|--------------|------------|
| CAPITAL CONTRIBUTIONS | | | | |
| Grants | — | 1,792,818 | (1,792,818) | (100)% |
| Water Resource Sustainability Program | 631,684 | 1,420,000 | (788,316) | (56)% |
| Developer Infrastructure Contributions | 14,477,548 | 10,951,584 | 3,525,964 | 32 % |
| Developer Will-serve Contributions (Net of Refunds) | 2,911,172 | 3,622,850 | (711,678) | (20)% |
| Developer Capital Contributions - Other | 6,431,179 | 5,522,100 | 909,079 | 16 % |
| Developer Facility Charges (Net of Refunds) | 4,543,022 | 6,593,130 | (2,050,108) | (31)% |
| Contributions from Others | — | 47,462 | (47,462) | (100)% |
| Contributions from Other Governments | 105,084 | 10,550,000 | (10,444,916) | (99)% |
| Net Capital Contributions | 29,099,689 | 40,499,944 | (11,400,255) | (28)% |

Capital contributions were \$11.4m lower than budget. The primary driver is lower contributions from other governments related to the American Flat APW project. This is timing related and is based on the actual spend on the project which is in the design phase. These contributions are expected in FY 2024. Also contributing the variance is lower developer facility charges, which is a component of the overall customer connection fee, and is due to more projects in areas not subject to these charges. This is offset by an increase in developer infrastructure contributions and area fees (developer capital contributions - other). Developer infrastructure contributions included a significant amount of assets completing inspection and dedicated to TMWA during the first half. This amount does not necessarily reflect the current volume of projects or activity, but rather the completion of projects, or segments of projects.

Year over Year

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|---|--------------------|--------------------|-------------|------------|
| CAPITAL CONTRIBUTIONS | | | | |
| Grants | — | 1,767,144 | (1,767,144) | (100)% |
| Water Resource Sustainability Program | 631,684 | 758,595 | (126,911) | (17)% |
| Developer Infrastructure Contributions | 14,477,548 | 9,937,799 | 4,539,749 | 46 % |
| Developer Will-serve Contributions (Net of Refunds) | 2,911,172 | 2,470,410 | 440,762 | 18 % |
| Developer Capital Contributions - Other | 6,431,179 | 4,298,459 | 2,132,720 | 50 % |
| Developer Facility Charges (Net of Refunds) | 4,543,022 | 5,461,891 | (918,869) | (17)% |
| Contributions from Others | — | 76,492 | (76,492) | (100)% |
| Contributions from Other Governments | 105,084 | — | 105,084 | — % |
| Net Capital Contributions | 29,099,689 | 24,770,790 | 4,328,899 | 17 % |

Year over year, capital contributions are \$4.3m higher than the prior year due mostly to higher developer infrastructure contributions and area fees as discussed above. Offsetting this variance is grant revenue and facility charges which were both lower than prior year.

Capital Spending

Cash spent on capital outlays and construction projects during the first half was approximately \$15.3m. Total budgeted capital spend for fiscal year 2023 is \$83.9m, which includes \$20m and \$15m for the American Flat APW facility and Orr Ditch pump station and hydro facility, respectively. Spending on the top three projects is listed below:

| | |
|--------------------------------------|--------|
| Pressure regulator rehab/replacement | \$2.3m |
| Arrowcreek booster pump station | \$1.9m |
| AMI - meter installations | \$1.5m |

Cash Position

At December 31, 2022 total cash and investments was \$235.3m or \$6.7m higher than at the beginning of the fiscal year. Of the total cash and investments, \$173.2m was unrestricted to be used to meet upcoming and future operating & maintenance expenses, principal & interest payments and construction project payments. The remaining \$62.1m was restricted to pay for scheduled bond principal and interest payments as well as maintaining required reserves as stipulated in our bond covenants.

Truckee Meadows Water Authority

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the first half ended December 31, 2022

| | Actual YTD 2023 | Budget YTD 2023 | Variance \$ | Variance % |
|---|----------------------|----------------------|------------------------|--------------|
| OPERATING REVENUES | | | | |
| Charges for Water Sales | \$ 66,864,446 | \$ 68,523,259 | \$ (1,658,813) | (2)% |
| Hydroelectric Sales | 1,363,273 | 898,731 | 464,542 | 52 % |
| Other Operating Sales | 1,782,890 | 1,930,532 | (147,642) | (8)% |
| Total Operating Revenues | 70,010,609 | 71,352,522 | (1,341,913) | (2)% |
| OPERATING EXPENSES | | | | |
| Salaries and Wages | 14,547,872 | 14,735,205 | (187,333) | (1)% |
| Employee Benefits | 6,121,404 | 6,381,201 | (259,797) | (4)% |
| Services and Supplies | 19,340,280 | 17,454,275 | 1,886,005 | 11 % |
| Total Operating Expenses Before Depreciation | 40,009,556 | 38,570,681 | 1,438,875 | 4 % |
| Depreciation | 17,210,268 | 17,314,174 | (103,906) | (1)% |
| Total Operating Expenses | 57,219,824 | 55,884,855 | 1,334,969 | 2 % |
| OPERATING INCOME | 12,790,785 | 15,467,667 | (2,676,882) | (17)% |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Earnings | 1,488,405 | 1,532,012 | (43,607) | (3)% |
| Net Increase (Decrease) in FV of Investments | (2,973,676) | — | (2,973,676) | — % |
| Gain (Loss) on Disposal of Assets | 3,802 | (850,000) | 853,802 | (100)% |
| Amortization of Bond/note Issuance Costs | — | — | — | — % |
| Interest Expense | (5,760,507) | (5,749,849) | (10,658) | — % |
| Total Nonoperating Revenues (Expenses) | (7,241,976) | (5,067,837) | (2,174,139) | 43 % |
| Gain (Loss) Before Capital Contributions | 5,548,809 | 10,399,830 | (4,851,021) | (47)% |
| CAPITAL CONTRIBUTIONS | | | | |
| Grants | — | 1,792,818 | (1,792,818) | (100)% |
| Water Resource Sustainability Program | 631,684 | 1,420,000 | (788,316) | (56)% |
| Developer Infrastructure Contributions | 14,477,548 | 10,951,584 | 3,525,964 | 32 % |
| Developer Will-serve Contributions (Net of Refunds) | 2,911,172 | 3,622,850 | (711,678) | (20)% |
| Developer Capital Contributions - Other | 6,431,179 | 5,522,100 | 909,079 | 16 % |
| Developer Facility Charges (Net of Refunds) | 4,543,022 | 6,593,130 | (2,050,108) | (31)% |
| Contributions from Others | — | 47,462 | (47,462) | (100)% |
| Contributions from Other Governments | 105,084 | 10,550,000 | (10,444,916) | (99)% |
| Net Capital Contributions | 29,099,689 | 40,499,944 | (11,400,255) | (28)% |
| CHANGE IN NET POSITION | \$ 34,648,498 | \$ 50,899,774 | \$ (16,251,276) | (32)% |

Truckee Meadows Water Authority

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the first half ended December 31, 2022

| | Actual YTD 2023 | Actual YTD 2022 | Variance \$ | Variance % |
|---|----------------------|----------------------|--------------------|--------------|
| OPERATING REVENUES | | | | |
| Charges for Water Sales | \$ 66,864,446 | \$ 65,048,525 | \$ 1,815,921 | 3 % |
| Hydroelectric Sales | 1,363,273 | 714,974 | 648,299 | 91 % |
| Other Operating Sales | 1,782,890 | 1,988,759 | (205,869) | (10)% |
| Total Operating Revenues | 70,010,609 | 67,752,258 | 2,258,351 | 3 % |
| OPERATING EXPENSES | | | | |
| Salaries and Wages | 14,547,872 | 12,720,624 | 1,827,248 | 14 % |
| Employee Benefits | 6,121,404 | 5,481,744 | 639,660 | 12 % |
| Services and Supplies | 19,340,280 | 16,222,849 | 3,117,431 | 19 % |
| Total Operating Expenses Before Depreciation | 40,009,556 | 34,425,217 | 5,584,339 | 16 % |
| Depreciation | 17,210,268 | 16,717,405 | 492,863 | 3 % |
| Total Operating Expenses | 57,219,824 | 51,142,622 | 6,077,202 | 12 % |
| OPERATING INCOME | 12,790,785 | 16,609,636 | (3,818,851) | (23)% |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Earnings | 1,488,405 | 986,911 | 501,494 | 51 % |
| Net Increase (Decrease) in FV of Investments | (2,973,676) | (2,117,643) | (856,033) | 40 % |
| Gain (Loss) on Disposal of Assets | 3,802 | 83,284 | (79,482) | (95)% |
| Amortization of Bond/note Issuance Costs | — | 801 | (801) | (100)% |
| Interest Expense | (5,760,507) | (5,985,161) | 224,654 | (4)% |
| Total Nonoperating Revenues (Expenses) | (7,241,976) | (7,031,808) | (210,168) | 3 % |
| Gain (Loss) Before Capital Contributions | 5,548,809 | 9,577,828 | (4,029,019) | (42)% |
| CAPITAL CONTRIBUTIONS | | | | |
| Grants | — | 1,767,144 | (1,767,144) | (100)% |
| Water Resource Sustainability Program | 631,684 | 758,595 | (126,911) | (17)% |
| Developer Infrastructure Contributions | 14,477,548 | 9,937,799 | 4,539,749 | 46 % |
| Developer Will-serve Contributions (Net of Refunds) | 2,911,172 | 2,470,410 | 440,762 | 18 % |
| Developer Capital Contributions - Other | 6,431,179 | 4,298,459 | 2,132,720 | 50 % |
| Developer Facility Charges (Net of Refunds) | 4,543,022 | 5,461,891 | (918,869) | (17)% |
| Contributions from Others | — | 76,492 | (76,492) | (100)% |
| Contributions from Other Governments | 105,084 | — | 105,084 | — % |
| Net Capital Contributions | 29,099,689 | 24,770,790 | 4,328,899 | 17 % |
| CHANGE IN NET POSITION | \$ 34,648,498 | \$ 34,348,618 | \$ 299,880 | 1 % |