



NEVADA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2013 and 2012

PREPARED BY: Jeffrey P. Tissier, CPA
Chief Financial Officer

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INTRODUCTORY SECTION

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November 20, 2013

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Truckee Meadows Water Authority (TMWA) for the Fiscal Year ended June 30, 2013. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this 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.

The CAFR consists of four sections:

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

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

Statistical Section- This section is comprised of selected financial, operational and demographic information generally presented on an annual basis for the past ten years of operation.

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

REPORTING ENTITY

TMWA was formed as a Joint Powers Authority pursuant to Chapter 277 of the Nevada Revised Statutes and is a political subdivision of the State of Nevada. TMWA is separate from its member agencies: City of Reno, City of Sparks and Washoe County. TMWA was formed in November 2000 for the purpose of acquiring the assets of the water division of Sierra Pacific Power Co. (SPPCo), a subsidiary of Sierra Pacific Resources ("SRP"), now known as NV Energy (NVE), with the goal of retaining local control over the water resources of the area. TMWA took over the water system assets on June 11, 2001. There are no component units associated with this financial reporting entity.

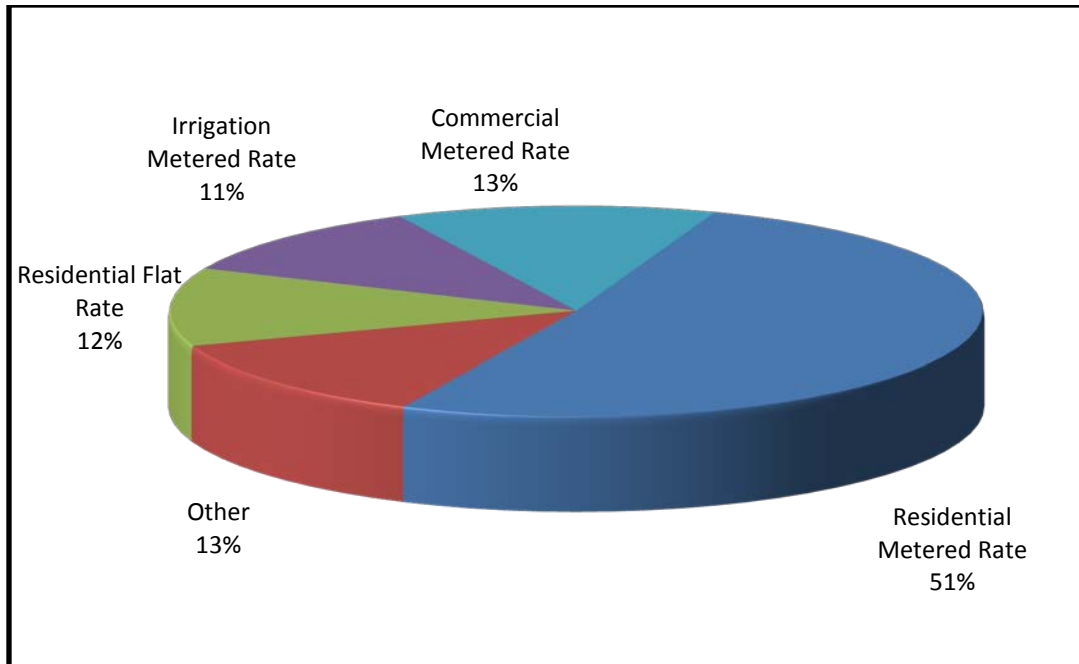
TMWA has no financial interdependence with its member agencies. TMWA has broad powers to finance, construct and operate the water system, for the diversion, treatment, distribution, and sale of treated water to retail and wholesale customers. TMWA has full authority to set water rates for services subject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

TMWA provides treated water to two wholesale customers and has approximately 94,000 residential, commercial, irrigation and fire service connections in the Reno-Sparks metropolitan area. TMWA operates in a prescribed retail service area as described in the agreement between SPPCo and Washoe County dated June 25, 1996, as amended. The retail service territory can be modified from time to time pursuant to such agreement. The two wholesale customers are the Sun Valley General Improvement District (SVGID) and the Washoe County Community Services water division (WCCSWD). SVGID, located north of the Reno-Sparks main metropolitan area, is wholly dependent upon TMWA water deliveries since this district has no source of water supply. The WCCSWD purchases water from TMWA, however, WCCSWD can provide for a significant portion of its own water demands with WCCSWD groundwater resources. There are three separate contracts associated with these wholesale customers.

Nevada Revised Statutes require that an independent certified public accounting firm selected by the Board of Directors audit TMWA's financial statements on an annual basis. The independent auditor's report for the fiscal years ended June 30, 2013 and June 30, 2012 is presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 of the Nevada Revised Statutes.

The following graph depicts the proportion of operating revenues by class for fiscal year 2013:

TMWA Operating Revenues \$85.6 Million



The metering of the water system, which began under Sierra Pacific in 1995, presents a practical solution for TMWA operationally. This practical solution presents 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. There are still approximately 6,600 customers who continue to pay the flat rate. There are less than 300 water services that remain to have a meter installed, and these represent problematic services with multiple customers on a single service line. TMWA is mindful of the revenue impact from the conversion to metered billing in its financial planning, and also accounts for the changing water demands in its water facility and resource planning efforts. Regardless, system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use.

TMWA honored its commitment to the community that water rates would not be increased during its first two years of operation. In June, 2003, TMWA's Board of Directors adopted facility charges, to collect funds from new developments to pay for the construction of storage, supply and treatment facilities for new and/or expanded service. In September 2003, TMWA's Board of Directors adopted adjusted customer rates designed to increase water sales revenues by \$10 to \$11 million annually, with the rate increase becoming effective on October 1, 2003. In early 2005, the TMWA Board of Directors took under consideration another general water rate increase. The result of that public hearing was board approval of a water rate increase that averaged approximately 3.4% to take effect on March 1, 2005. From that time TMWA had not implemented any retail/wholesale water rate revisions until May of 2009 when a general water

rate increase of approximately 4.5% on average was approved by the TMWA Board of Directors and implemented on June 1, 2009. A second installment of 4.4% on average was put into effect in June 2010. During fiscal year 2012 the Board of Directors approved water rate increases to be phased in over a three year period. The first phase of the approved increases took effect February 1, 2012 and was 3.5% on average. The implementation of the second phase was postponed one year to February 2014 due to TWMA's improving financial performance.

The goal of TMWA, as adopted by the Board in August 2003, is to maintain a senior lien debt coverage ratio of at least 1.5 times recurring revenues less operating expenses divided by annual debt service. This calculation excludes developer facility charges and other fees associated with new development. This coverage target is sufficient to meet minimum debt service coverage requirements, fund reconstruction of the water system on primarily a pay-as-you-go basis and manage TMWA's senior lien bonding capacity to allow for potential future senior lien bond sales if necessary. These measures were deemed necessary to maintain system infrastructure in a prudent manner and insure that TMWA's bondholders are adequately protected. There are no other restrictions, commitments, or other limitations that would restrict the unrestricted cash assets for use in meeting TMWA's obligations. TMWA's senior lien coverage (excluding developer fees and charges) was approximately 1.63x as of June 30, 2013 a significant improvement over recent prior years. TMWA's senior lien debt coverage improved in fiscal year 2013 because of strong water sales and hydroelectric revenues coupled with efficiently managing operating expenses.

ECONOMIC OUTLOOK AND WATER RESOURCES

TMWA's service area had experienced steady growth since TMWA's inception in 2001, with overall population gains in Washoe County of nearly 18 percent. After five years of sustained 9 to 10 percent annual growth in county-wide taxable sales, those taxable sales have dipped significantly in fiscal years 2009 through 2011 when compared to the prior years. Fiscal years 2012 and 2013 saw a slight increase in taxable sales when compared to the prior year. 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 nurtured steady growth in the entire region and nearby communities in manufacturing, distribution, warehousing and industrial businesses. A surge in residential housing construction through fiscal year 2006 fueled significant new retail development, including several nationally known retailers, however in fiscal years 2008 through 2013, the region continued to experience a very challenging recession although there has been slight improvement in the local economy in fiscal years 2012 and 2013. TMWA expects the economic conditions to persist for the foreseeable future and will manage the water utility accordingly.

To meet water demands in the future, TMWA prepared a very detailed Water Resource Plan (WRP) for the years 2010-2030 during fiscal year 2010. That plan was originally adopted by the Board in March 2003 and previously updated during fiscal year 2007. This extensive plan document addresses current water resources, future water resources, and water rights availability

as well as defined drought standards. The focal point of the Water Resource Plan is the population and water demand forecasts for the TMWA service territory.

To complement this resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2010-2030 was developed. The original WFP was adopted by the TMWA Board in December of 2004. The WFP evaluates the infrastructure required to supply, treat and deliver water to customers over the life of the plan and determines the Capital Improvement Plan needs to serve growth based upon population forecasts in the WRP. For fiscal year 2013, TMWA's Board approved a Capital Improvement Plan with a five year spending level of \$106.3 million which focuses spending primarily on water system reconstruction. Spending on the acquisition of water rights has been suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments for the foreseeable future.

TMWA is a very active supporter and participant in the process of negotiating and implementing the Truckee River Operating Agreement (TROA), as are the TMWA member agencies including the cities of Reno, Sparks, and Washoe County. TMWA is a primary signatory to the TROA along with the Pyramid Lake Paiute Tribe, the States of Nevada and California, and the Federal Government. TROA is intended to provide TMWA customers with certainty regarding the operation of the Truckee River system and 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. It is expected to take several years to implement TROA. TMWA is now progressing with the implementation phase of TROA.

WATER QUALITY

TMWA's highest priority is the protection of public health through modern water treatment techniques and water quality monitoring efforts. TMWA's primary source of water is the Truckee River, which sources at Lake Tahoe and other tributaries to the Truckee River, travels into Nevada through the Reno-Sparks Metropolitan area with the terminus of the river at Pyramid Lake, a distance of approximately 120-miles. The river's water quality is excellent; however additional steps are taken to purify the water to meet safe drinking water standards that were set forth by the United States Department of Environmental Protection in the early 1990's. TMWA owns and operates the 84 million gallons per day (MGD) Chalk Bluff Water Treatment Plant (expanded from 69 MGD in 2005) and the 37.5 MGD Glendale Water Treatment Plant which was expanded from a 25 MGD capacity through a series of improvements.

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

WATER CONSERVATION

Water conservation is a high priority at TMWA. Prudent use of the area's water resources extends this vital resource to periods of dry weather patterns and reduces or defers further investments in new plant and preserves system capacities. The purpose of water conservation at TMWA is to promote wise use of water through a number of initiatives. TMWA's conservation programs were designed to achieve 10% annual water savings as part of the conservation goal agreed to in the 1996 Water Conservation Agreement between TMWA's predecessor SPPCo, the Pyramid Lake Paiute Tribe, and the United States. The backbone of water conservation in the Truckee Meadows is the Water Meter Retrofit Program.

The Water Meter Retrofit Program

In 1995, the conversion of Sierra Pacific's (now TMWA's) 44,651 flat rate services to metered services began. As of June 30, 2012, TMWA estimates that less than 400 small unit residential and multi-unit metering facilities remain to be installed. Developers, through a charge of \$1,830 for every acre-foot of new water demand, provide funding for this project. These funds are considered restricted cash assets as represented on TMWA's statement of net position.

Assigned Day Watering

Previously on two days a week assigned day watering schedule, TMWA implemented a three days a week watering schedule during the summer of 2010. This new program was well received by the community and is expected to reduce peak day demand on the water system. TMWA's predecessor, SPPCo, initiated this voluntary program in the late 1980's in an effort to avoid investment in new facilities brought on by growing demands. During the 1987 to 1994 period, twice a week watering became mandatory as part of conservation agreement commitments and remained in place until the summer of 2010. The greatest benefit of this is to more evenly distribute the peak demands for water during a summer week, which translates to less peaking demand on facilities.

Landscape Efficiency Program

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

Water Audit Program

This program assists TMWA customers in the evaluation of both indoor and outdoor water use. TMWA water conservation consultants visit residents and businesses to measure the amount of water applied to lawns and landscape. After evaluation of information, recommendations are

made to the customer on how to minimize consumption while preserving their landscape. This program also looks for leaks within the home and promotes efficient indoor water use.

FINANCIAL INFORMATION

Internal Controls

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

Budgetary Controls

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

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

BUDGET ANALYSIS AND VARIANCES

Actual total operating water revenues were \$3.8 million or 4.6% above budget for fiscal year ended June 30, 2013. Total budgeted revenues were \$81.8 million as compared to \$85.6 million in actual revenue. Charges for water sales were \$3.1 million above budget, while hydroelectric revenues were nearly \$0.2 million above budget. Other operating sales were \$0.5 million above budget. TMWA water sales were benefited from increased demands as a result of the warmer weather patterns than in the previous three years. The TMWA budget was revised after formal

adoption to account for expected increase in water sales due to much warmer than expected weather and increased operating expenses due to significant unscheduled maintenance on TMWA facilities.

Total operating expenses of \$59.6 million were approximately \$1.2 million under the revised budget of \$60.8 million. Less than planned cash operating expenses of \$0.6 million were augmented by \$0.6 million in less than planned depreciation expense. Operating expenses net of depreciation were \$0.6 million under budget primarily due to lower spending on salaries and wages, and employee benefits. Service and supplies expenses were slightly greater than budget. Spending on operating salaries and wages was \$0.5 million less than budget, while employee benefit spending was \$0.4 million less than budget. Lower operating wages and salaries were primarily due to not filling vacant positions. Health care expenses did not increase during the fiscal year which helped reduce employee benefit costs as well as vacant positions. Spending on services and supplies expenses was \$0.4 million above a budget of \$19.7 million and was not attributable to any one particular area of spending.

Total net nonoperating expenses, including investment income, were \$2.4 million less than budget. Investment income and decrease in fair value of investments, after capitalization of investment income, was \$0.2 million under budget. This was due to continued lower than expected investment returns. Interest expense and amortization of bond/note issuance expenses combined was on budget.

Capital contributions of \$2.7 million were \$2.3 million above budget. These contributions are significantly less than historical levels. All areas of capital contributions contributed to this favorable variance. Cash contributions were \$1.6 million greater than budget and were attributable to modest levels of residential as well as commercial building activity.

Total revised capital spending budget was \$18.3 million for fiscal year 2013. TMWA spent approximately \$16.3 million on construction projects and capital outlays which was \$2.0 million less than budget.

As reflected in the Statement of Cash Flows, TMWA funded the operating budget, debt service requirements and capital spending from operating revenues, and investment income. As of June 30, 2013, TMWA has approximately \$60.0 million of unrestricted cash and investments to fund future operations and capital projects. This amount was after redeeming the \$11.4 million in tax-exempt commercial paper that was issued to defease the remaining outstanding 2001-A bonds.

TMWA complies with bond covenants during fiscal year 2013 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 \$6.3 million as of June 30, 2013. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million is a reservation of unrestricted net position. Finally, TMWA remains in possession of \$2.0 million of the Series 2001A bond proceeds for the purchase of the one remaining run-of-river hydroelectric generating facility. Three of the facilities were purchased in past years, one during fiscal year 2008 and two in fiscal year 2009.

The fourth and final facility, located in Farad, California that was heavily damaged by the 1997 flood, has not yet been operationally restored by NV Energy.

TMWA MILESTONES

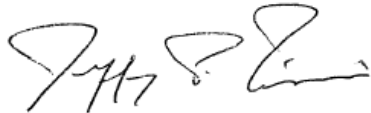
TMWA, now in its twelfth year of operation, was successful in retaining its credit ratings (AA; AA-) by the three primary rating agencies (Standard and Poors, Moody's and Fitch). All rating agencies now maintain a stable outlook for TMWA.

ACKNOWLEDGEMENTS

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



Mark Foree, P.E.
General Manager



Jeffrey P. Tissier CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2013**

TMWA Board of Directors

Mike Carrigan, City of Sparks Councilman, Chairman of the Board

Mike Cate, City of Reno Appointee, Vice Chairman of the Board

Geno Martini, City of Sparks Mayor

Kitty Jung, Washoe County Commissioner

Vaughn Hartung, Washoe County Commissioner

Neoma Jardon, City of Reno Councilwoman

Sharon Zadra, City of Reno Councilwoman

Management

Mark Foree, PE, General Manager

Scott Estes, PE, Director of Engineering

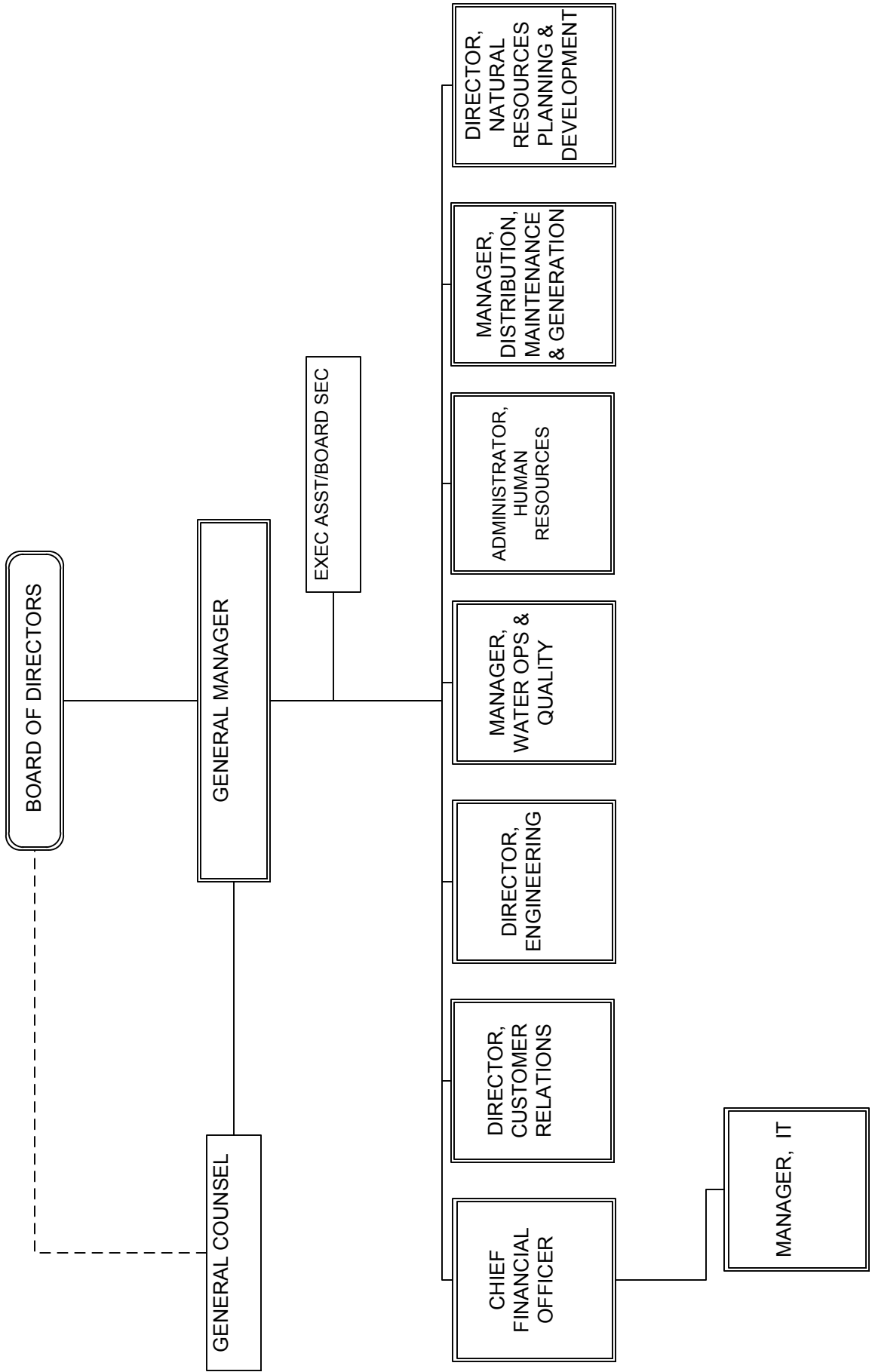
Mike Pagni, General Counsel

John Erwin, Director of Natural Resources Planning and Development

Kim Mazeres, Director of Customer Relations

Jeffrey Tissier, CPA, Chief Financial Officer

Organization Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Truckee Meadows
Water Authority, Nevada**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors of the
Truckee Meadows Water Authority

We have audited the accompanying financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as of and for the years ended June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4A-4J and the Schedule of Funding Progress on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMWA's basic financial statements. The introductory section, the schedules of revenues, expenses and changes in net position – budget and actual, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Kafoury, Armstrong & Co.

Reno, Nevada
November 20, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2013, June 30, 2012, and June 30, 2011. 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. The financial presentation for fiscal years 2013, 2012 and 2011 reflects the early adoption of Government Accounting Standards Board Statement (GASB) 65, *Items Previously Reported as Assets and Liabilities*. Retroactive adoption of GASB 65 by TMWA resulted in deferred bond issuance expenses as well as beginning net position to be reduced by \$2.2 million in fiscal year 2012. Adoption of GASB 65 also changed the presentation of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings. These amounts are now presented as a, *Deferred Outflow of Resources*, which was previously netted against total long term debt outstanding.

For the Management Discussion and Analysis section, the adoption of GASB 65 was not applied to fiscal year 2011 balances.

FINANCIAL HIGHLIGHTS

TMWA's Net Position (in millions)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Unrestricted Current Assets	\$ 75.2	\$ 79.1	\$ 61.0
Restricted Current Assets	20.3	11.8	21.0
Long-Term Restricted and Other Assets	53.5	53.1	56.1
Capital Assets, net	<u>671.1</u>	<u>676.8</u>	<u>687.5</u>
Total Assets	<u>820.1</u>	<u>820.8</u>	<u>825.6</u>
Deferred Outflow of Resources	<u>9.7</u>	<u>12.1</u>	<u>0.0</u>
Total Assets and Deferred Outflow of Resources	<u>829.8</u>	<u>832.9</u>	<u>825.6</u>
Long-Term Debt Outstanding	428.6	439.8	428.9
Other Liabilities	<u>99.7</u>	<u>99.9</u>	<u>108.5</u>
Total Liabilities	<u>528.3</u>	<u>539.7</u>	<u>537.4</u>
Net Investment in Capital Assets	227.3	222.4	223.4
Restricted	22.7	13.7	22.9
Unrestricted	<u>51.5</u>	<u>57.1</u>	<u>41.9</u>
Total Net Position	<u>\$301.5</u>	<u>\$293.2</u>	<u>\$288.2</u>

In the fiscal year ended June 30, 2013 total net position increased by approximately \$8.3 million, the result of record operating revenue and increasing capital contributions.

In the fiscal year ended June 30, 2012 total net position increased by approximately \$5.0 million, the result of greater operating income and reduced total non-operating expenses.

As reported on the Statements of Net Position, at June 30, 2013, total Unrestricted Current Assets decreased by approximately \$3.9 million from June 30, 2012. The overall decrease was due to a decrease in unrestricted cash of \$3.4 million, a \$0.7 million decrease in due from other governments, offset by \$0.1 million increase in accounts receivable and \$0.1 million increase in prepaid assets. The decrease in unrestricted cash was due to the redemption of \$11.4 million in tax-exempt commercial paper notes offset by strong operating cash flow and increasing capital contributions. The decrease in due from other governments was due solely to collection on a federal grant. Accounts receivable increased due to greater water sales the result of continued warm spring weather patterns. The increase in prepaid assets was due to billings in June for future services to be provided to TMWA in fiscal year 2014.

As reported on the Statements of Net Position, at June 30, 2012, total Unrestricted Current Assets increased by approximately \$18.1 million from June 30, 2011. The overall increase was due to an increase in unrestricted cash of \$14.9 million, a \$2.1 million increase in accounts receivable, an increase in due from other governments and due from others of \$1.0 million and increase in interest receivable and prepaid assets of \$0.1 million. The increase in unrestricted cash was due to strong operating income and \$9.3 million that did not have to be transferred to the bond trustee as a result of defeasing the remaining outstanding 2001-A bonds with tax exempt commercial paper in fiscal year 2011. Accounts receivable increased due to greater water sales as a result of very warm spring weather patterns. Increase in due from other governments and due from others was the result of a year end reimbursement on a Bureau of Reclamation grant awarded near year end and stronger hydroelectric production. Increase in prepaid assets and interest receivable was due to payment of contracts at year end for services to be delivered in fiscal year 2013 and timing of receipts of investment income.

As reported on the Statements of Net Position, at June 30, 2013, total Restricted Current Assets increased by approximately \$8.5 million from June 30, 2012. This overall increase was due to an increase of \$0.1 million in the restricted water meter retrofit fund and an increase in current bond debt service for \$8.4 million. The increase in current bond debt service was due to increased transfers to the bond trustee for current bond debt payments. In fiscal year 2012 TMWA defeased the remaining outstanding maturities of the 2001-A bonds with tax-exempt commercial paper notes which reduced transfers to the bond trustee for that year.

As reported on the Statements of Net Position, at June 30, 2012, total Restricted Current Assets decreased by approximately \$9.2 million from June 30, 2011. This overall decrease was due to a decrease of \$0.1 million in water meter retrofit restricted and a decrease in current bond debt service for \$9.1 million. The decrease in current bond debt service was due to the aforementioned defeasance of the 2001-A bonds which reduced transfers to the bond trustee.

At June 30, 2013, Non-Current Restricted and Other Assets increased by \$0.4 million from fiscal year 2012. The increase was solely due to an increase in the operations and maintenance reserve which is one-sixth of the annual operations budget as required by TMWA bond indentures.

At June 30, 2012, Non-Current Restricted and Other Assets decreased by \$3.0 million from fiscal year 2011 due to a decrease of \$0.3 million in the operations and maintenance reserve fund, combined with a decrease of \$2.6 million in deferred charges as a result of retroactive adoption of GASB 65 and amortization of remaining deferred bond issuance expenses related to bond insurance.

As of June 30, 2013 Deferred Outflow Of Resources decreased by \$2.4 million due to the amortization to interest expenses of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings. Previously the Deferred Outflow of Resources was an offset to outstanding long term debt.

As of June 30, 2012 Deferred Outflow of Resources increased by \$12.1 million which was due to the retroactive adoption of GASB 65 in fiscal year 2012. The Deferred Outflow of Resources reflects the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings. Previously the Deferred Outflow of Resources was an offset to outstanding long term debt.

Capital assets net of accumulated depreciation decreased by \$5.7 million from June 30, 2012 to June 30, 2013. Total asset additions of \$17.0 million were offset by \$22.5 million in depreciation expense and \$0.1 million in net carrying value of disposed assets.

Capital assets net of accumulated depreciation decreased by \$10.7 million from June 30, 2011 to June 30, 2012. Total asset additions of \$12.2 million were offset by \$22.3 million in depreciation expense and \$0.6 million in net carrying value of disposed assets.

At June 30, 2013, total other liabilities decreased \$0.2 million from June 30, 2012. The overall decrease was primarily due to a decrease of \$8.6 million in the current liabilities payable from unrestricted assets off set by \$8.4 million increase in current liabilities payable from unrestricted assets. The \$8.6 million decrease in current liabilities from unrestricted assets was due to reduction of \$11.2 million in the current portion of long term debt offset by increases in accounts payable \$0.9 million, construction and retention payable of \$0.9 million, accrued liabilities of \$0.1 million, due to other governments of \$0.6 million and customer deposits of \$0.1 million. The reduction in current portion of long term debt was due to redemption of \$11.4 million in tax-exempt commercial paper notes offset by unrestricted principal payments on Drinking Water State Revolving Fund (DWSRF) loan on the 2010 issue. Other payables and accrued liabilities increased due to more bills being paid post year end.

At June 30, 2012, total other liabilities decreased \$8.6 million from June 30, 2011. The overall decrease was primarily due to a decrease of \$9.0 million in the current liabilities payable from restricted assets off set by \$0.4 million increase in current liabilities payable from unrestricted assets. The \$9.0 million reduction in current liabilities payable from restricted assets consists of \$8.7 million of the current portion of long-term debt, the result of the defeasance of the remaining outstanding 2001-A bonds and decrease in interest payable of \$0.3 million. The increase of \$0.4 million in current liabilities payable from unrestricted assets was comprised of increases of \$0.2 million in accounts payable, \$0.2 million in contracts payable and \$0.3 million

in due to other governments offset by \$0.2 million decreases in customer and developer deposits and accrued liabilities of \$0.1 million.

TMWA's Changes in Net Position
(in millions)

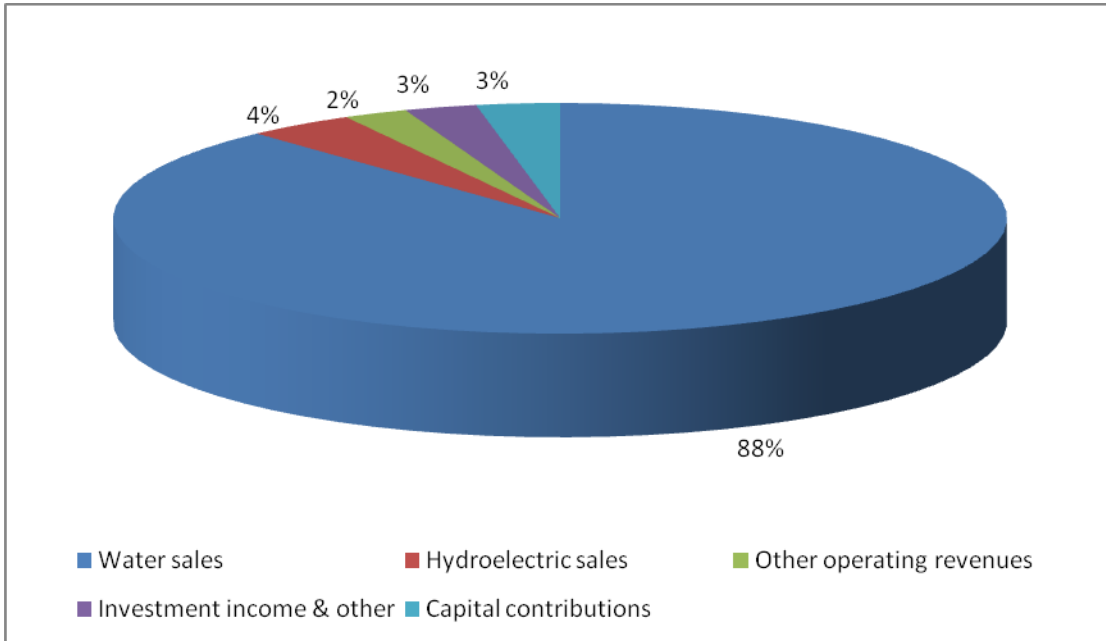
	June 30, 2013	June 30, 2012	June 30, 2011
Operating Revenues	\$85.6	\$81.8	\$76.2
Operating Expenses	59.6	56.6	55.5
Operating Income	26.0	25.2	20.7
Nonoperating Revenues (Expenses) net	(20.5)	(19.0)	(21.8)
Income (Loss) before Capital Contributions			
Contributions	5.5	6.2	(1.1)
Capital Contributions	2.7	1.1	1.3
Change in Net Position	<u>\$ 8.2</u>	<u>\$7.3</u>	<u>\$0.2</u>

TMWA's Revenues
(in millions)

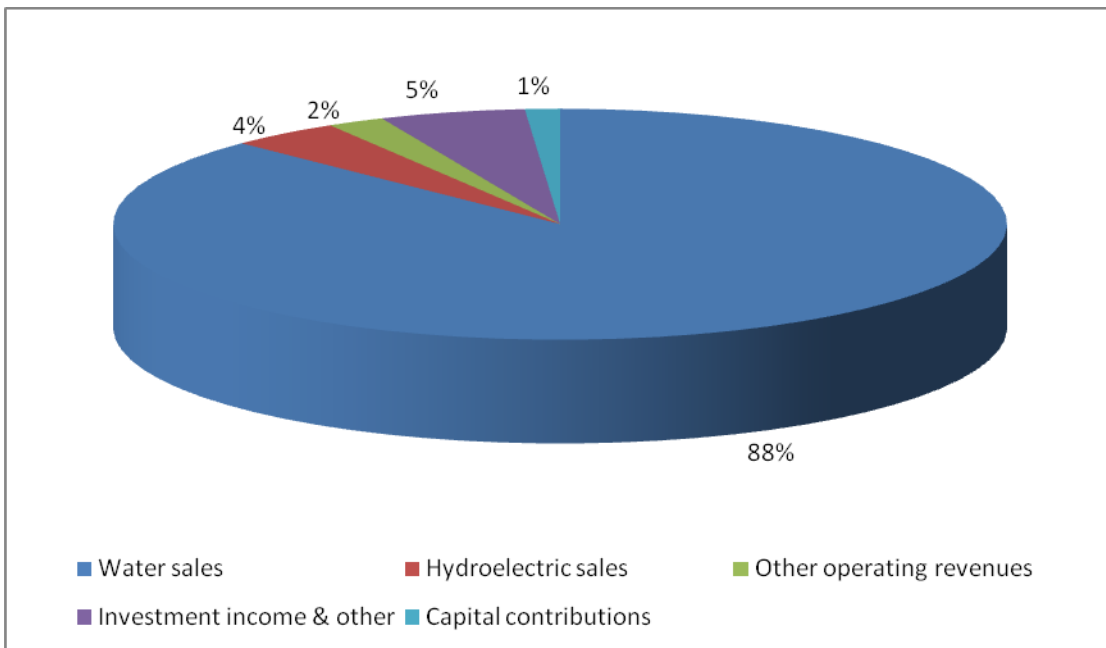
	June 30, 2013	June 30, 2012	June 30, 2011
Revenues			
Operating Revenues:			
Water Sales	\$ 79.9	\$ 76.5	\$ 71.4
Hydroelectric Sales	3.6	3.5	3.1
Other Operating Revenues	2.1	1.8	1.7
	<u>85.6</u>	<u>81.8</u>	<u>76.2</u>
Nonoperating Revenues:			
Investment Earnings	2.0	2.3	2.3
Other	0.4	2.3	0.4
	<u>2.4</u>	<u>4.6</u>	<u>2.7</u>
Capital Contributions:	2.7	1.1	1.3
Total Revenues	<u>\$ 90.7</u>	<u>\$ 87.5</u>	<u>\$ 80.2</u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2013, 2012 and 2011:

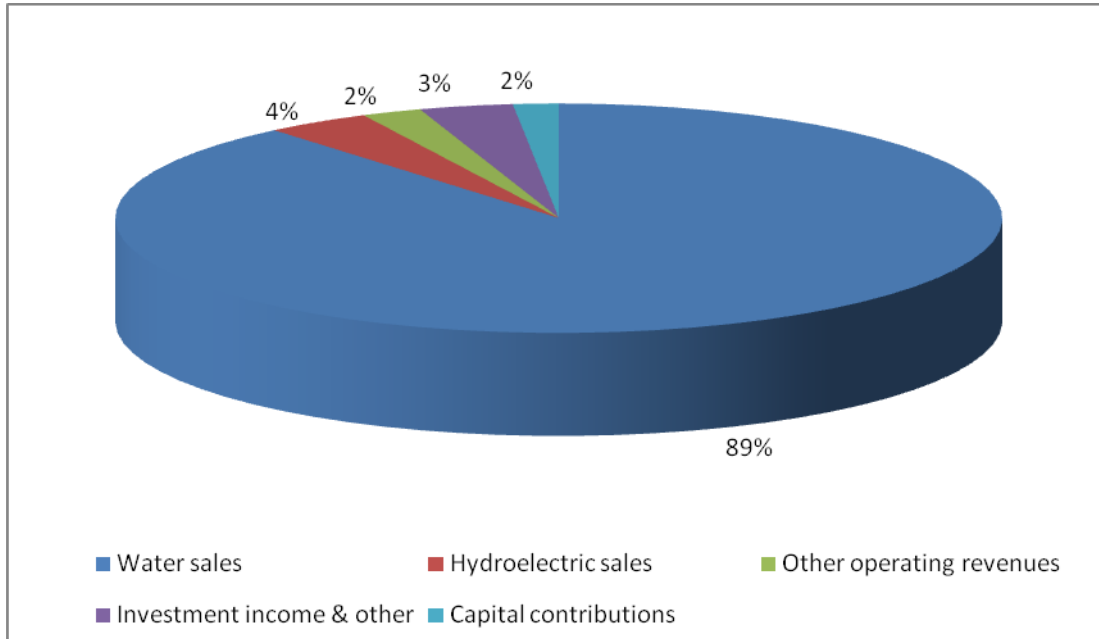
Total Revenues for the Year Ended June 30, 2013



Total Revenues for the Year Ended June 30, 2012



Total Revenues for the Year Ended June 30, 2011



For fiscal year 2013, total operating revenues increased \$3.8 million from fiscal year 2012. Water sales of \$79.9 million in fiscal year 2013 were \$3.4 million or 4.4% greater than in fiscal year 2012 and were due to increased water demands related to unseasonably warmer weather conditions. Hydroelectric revenues of \$3.6 million were \$0.1 million greater than in fiscal year 2012. This increase was due to optimal river flows and excellent plant availabilities. Other operating sales were \$0.3 million greater year over year and partially due to greater inspection fees on new business construction a result of increasing but modest residential and commercial construction.

For fiscal year 2012, total operating revenues increased \$5.6 million from fiscal year 2011. Water sales in fiscal year 2012 of \$76.5 million were \$5.1 million or 7.1% greater than in fiscal year 2011. Increased water demands due to much warmer weather conditions coupled with the water rate increase put into effect March 1, 2012 were the primary reasons for the increase. Hydroelectric revenues of \$3.5 million were \$0.4 million greater than in fiscal year 2011. This increase was due to optimal river flows and excellent plant availabilities. Other operating sales were essentially flat year over year.

For fiscal year 2013, capital contributions increased by \$1.6 million from fiscal year 2012. This increase was primarily increasing collection of all developer related fees, a result of increasing but modest residential and commercial construction.

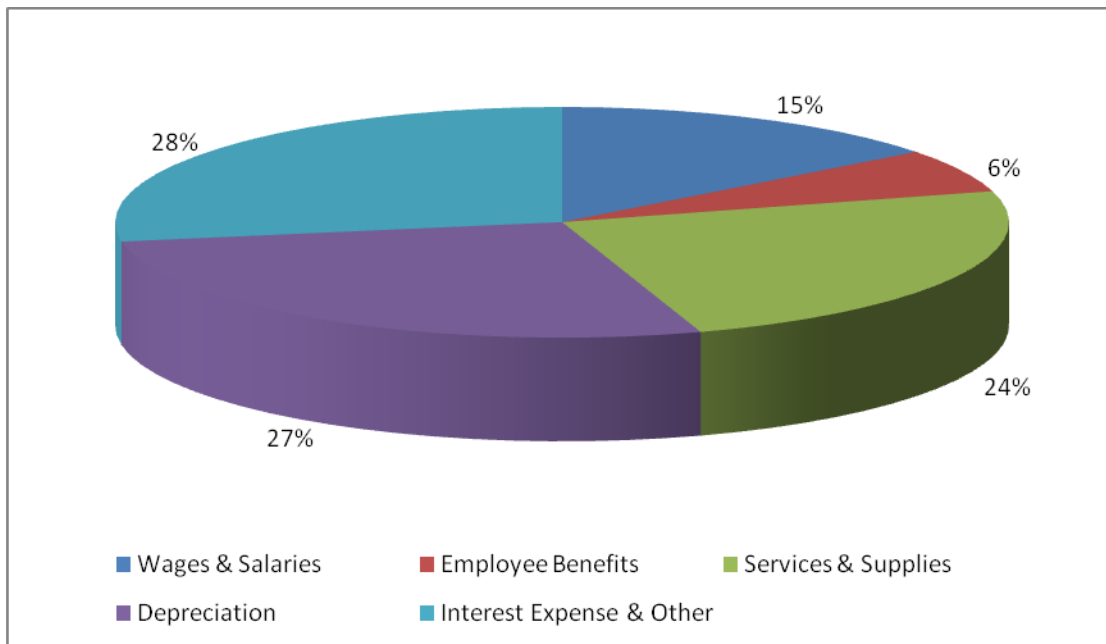
For fiscal year 2012, capital contributions decreased by \$0.2 million from fiscal year 2011. This decrease was primarily due to developer infrastructure contributions. All other developer and other contributions were collectively similar to those of last year.

TMWA's Expenses
(in millions)

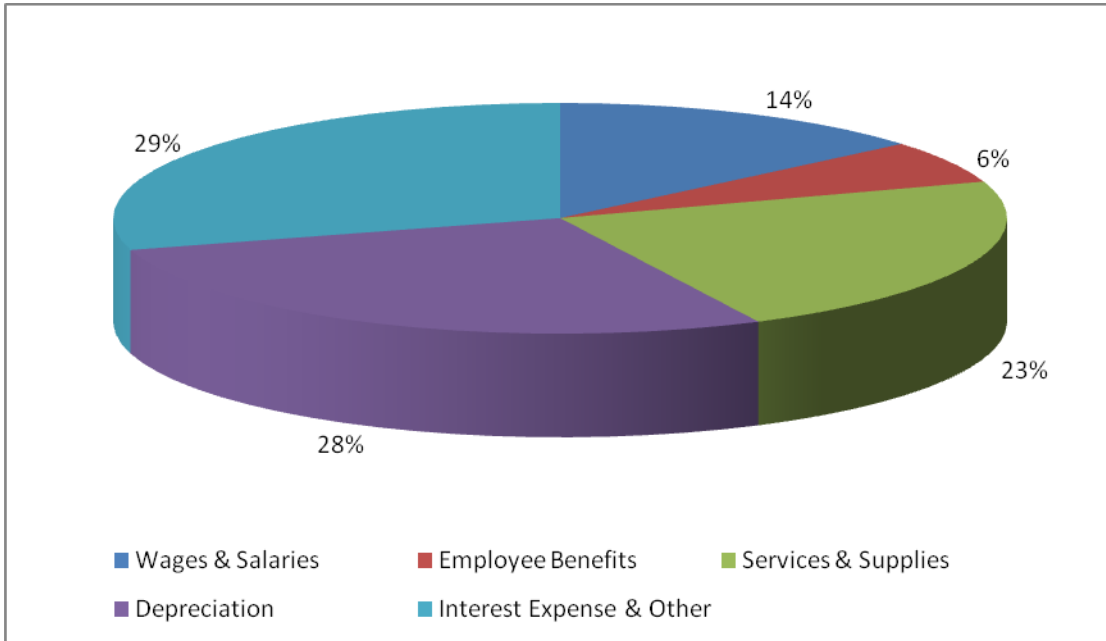
Expenses	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating Expenses:			
Wages & Salaries	\$ 12.0	\$ 11.1	\$ 11.1
Employee Benefits	5.0	4.8	4.5
Services & Supplies	20.1	18.3	17.6
Depreciation	22.5	22.4	22.3
	<u>59.6</u>	<u>56.6</u>	<u>55.5</u>
Nonoperating Expenses:			
Interest Expense	21.8	21.8	22.4
Other Nonoperating Expenses	1.1	1.8	2.1
	<u>22.9</u>	<u>23.6</u>	<u>24.5</u>
Total Expenses	<u>\$ 82.5</u>	<u>\$ 80.2</u>	<u>\$ 80.0</u>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2013, 2012 and 2011:

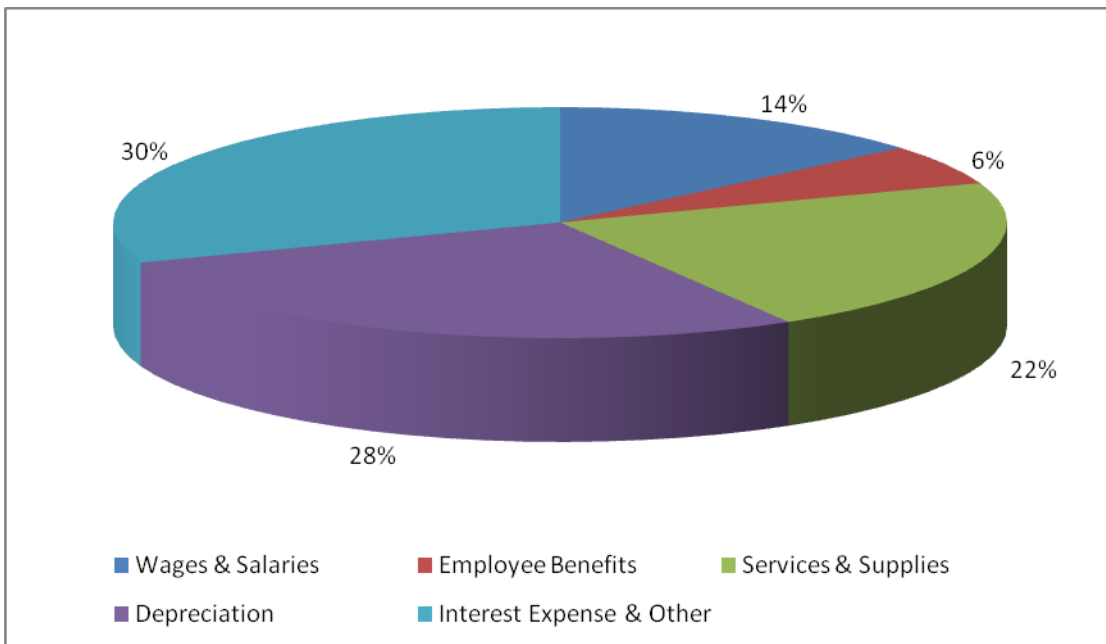
Total Expenses for the Year Ended June 30, 2013



Total Expenses for the Year Ended June 30, 2012



Total Expenses for the Year Ended June 30, 2011



The \$3.0 million or 5.3% increase in TMWA’s operating expenses from fiscal year 2012 to 2013 is due to a increase of \$0.9 million in salaries and wages, \$0.2 million increase in benefits and an increase of \$1.8 million in services and supplies expenses. Depreciation expense was \$0.1 million greater than last fiscal year due to greater construction activity. The increase in salaries and wages was due to the effect of a modest wage increase for \$0.3 million a comparable amount of overtime due to unscheduled maintenance in the distribution system and a modest increase in

vested time-off. The increase in spending on benefits was due to benefits on wage increases. Increased services and supplies expenses was due to increased power expense to bring raw water to the primary water treatment plant due to construction on the gravity water conveyance structure, numerous unscheduled maintenance expenses related to a near doubling of distribution system leaks and unscheduled work on the Independence Lake Dam.

Total non-operating expenses decreased by \$0.7 million to \$22.9 million in fiscal year 2013 from \$23.6 million in fiscal year 2012. The primary reason was a reduction of the loss on disposal of fixed assets of \$0.6 million and \$0.1 million less in bond and note issuance expenses.

The \$1.1 million or 1.9% increase in TMWA's operating expenses from fiscal year 2011 to 2012 is due to a increase of \$0.3 million in benefits and a \$0.7 million increase in services and supplies expenses, while salaries and wages and depreciation expense was essentially the same year over year. The increase in spending on benefits was due to increased contribution requirements into the Public Employee Retirement System of Nevada (NVPERS). Increased services and supplies expenses was due to increased professional services in the areas of hydrology services and various one time supply expenses related to major main leaks and rockfall stabilization above hydroelectric flumes.

Net non-operating expenses decreased by \$0.3 million to \$1.8 million in fiscal year 2012 from \$2.1 million in fiscal year 2011. The primary reason for the reduction was threefold with \$0.7 million spent in fiscal year 2011 for the Voluntary Separation Plan (VSP) in an effort to reduce staff. TMWA also experienced a slight reduction in merger related expenses of \$0.1 million in relation to the previous year. Last the decrease in the fair value of investments was \$0.1 million less in fiscal year 2012 than in fiscal year 2011. Offsetting these reductions was an increase in the loss on disposal of assets for abandonment of two wells and two pump stations for \$0.6 million.

CAPITAL ASSETS

At June 30, 2013, TMWA's total capital assets were \$874.2 million before accumulated depreciation of \$203.1 million, for a net book value of \$671.1 million. Included in the total capital assets reported on the Statements of Net Position was \$6.6 million in construction work in progress. TMWA continues to manage construction spending in light of a poor economic climate.

At June 30, 2012, TMWA's total capital assets were \$858.3 million before accumulated depreciation of \$181.5 million, for a net book value of \$676.8 million. Included in the total capital assets reported on the Statements of Net Position was \$7.6 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, 2013, TMWA had \$507.2 million in total reported debt outstanding. This amount reflects \$506.5 million in total outstanding principal indebtedness, and \$0.7 million net bond premium. Of the \$506.5 million in total reported debt outstanding, \$78.6 million was due in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of eight series of bonds, loans and short term notes. The first reported indebtedness was a \$4.7 million Series 2005 Drinking Water State Revolving Fund (DWSRF) loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005A Bonds, to fund construction projects in the North Virginia corridor. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of outstanding maturities of the Series 2001A bonds. In January 2007, TMWA issued \$219.0 million in refunding bonds to refinance \$212.3 million of outstanding maturities of the Series 2001A bonds. During fiscal year 2009 TMWA obtained another DWSRF loan funded by American Recovery and Reinvestment Act stimulus funding from the federal government. The final loan amount was \$2.4 million. In 2010, TMWA issued \$28.2 million of 2010 Refunding Bonds to refinance \$29.5 million of certain Series 2001A maturities. Also in fiscal year 2010 TMWA entered into another DWSRF loan arrangement authorized for \$8.5 million. TMWA has only drawn \$4.4 million on this authorization as of June 30, 2013 and closed the loan to further draws and requested deobligation of the remaining authorization to the Nevada State Treasurer's office. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of \$43.0 million in TECP notes in fiscal year 2007, and another \$25.0 million in fiscal year 2008. TMWA issued another \$11.4 million on June 28, 2011 for purposes of redeeming the remaining outstanding 2001A bonds to reduce interest expenses. The \$11.4 million issued on June 28, 2011 was redeemed on December 10, 2012. TMWA intends to re-market the remaining \$68.0 million in outstanding tax-exempt commercial paper notes as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less than 270 days.

At June 30, 2012, TMWA had \$521.1 million in total reported debt outstanding. This amount reflects \$519.8 million in total outstanding bond, loan and note principal, together with \$1.3 million net bond premium.

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

CONTACTING TMWA'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 59,996,453	\$ 63,371,896
Accounts receivable, net	12,457,982	12,367,790
Due from others	329,612	320,987
Due from other governments	434,272	1,156,651
Interest receivable	1,096,422	1,157,768
Prepaid assets	832,787	709,171
	<u>75,147,528</u>	<u>79,084,263</u>
RESTRICTED CURRENT ASSETS		
Cash and investments:		
Water meter retrofit program	446,699	369,390
Current bond debt service	19,848,303	11,437,666
	<u>20,295,002</u>	<u>11,807,056</u>
Total Current Assets	<u>95,442,530</u>	<u>90,891,319</u>
RESTRICTED NONCURRENT ASSETS		
Cash and investments:		
Future bond debt service	33,633,502	33,633,502
Operations and maintenance	6,272,705	5,829,462
Renewal and replacement	10,000,000	10,000,000
Water rate stabilization	500,000	500,000
Hydro asset purchase	2,000,000	2,000,000
	<u>52,406,207</u>	<u>51,962,964</u>
NONCURRENT ASSETS		
Capital assets, not depreciated	109,993,398	111,001,760
Capital assets, depreciated	561,114,371	565,753,668
Deferred charges	1,149,177	1,210,370
	<u>672,256,946</u>	<u>677,965,798</u>
Total Noncurrent Assets	<u>724,663,153</u>	<u>729,928,762</u>
Total Assets	<u>820,105,683</u>	<u>820,820,081</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on bond refundings	9,656,505	12,117,110
Total Assets and Deferred Outflow of Resources	<u>\$ 829,762,188</u>	<u>\$ 832,937,191</u>

(continued)

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2013 AND 2012

	2013	2012
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED		
CURRENT ASSETS		
Accounts payable	\$ 2,678,449	\$ 1,788,020
Contracts and retention payable	2,277,284	1,333,301
Accrued liabilities	2,756,941	2,684,547
Due to other governments	1,994,019	1,398,582
Accrued interest payable	152,539	134,335
Current portion of long-term debt	68,551,957	79,748,012
Customer deposits and amounts due to developers	1,484,407	1,422,261
	<u>79,895,596</u>	<u>88,509,058</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED		
CURRENT ASSETS		
Current portion of long-term debt	10,025,000	1,580,000
Interest payable	9,823,303	9,857,666
	<u>19,848,303</u>	<u>11,437,666</u>
Total Current Liabilities	<u>99,743,899</u>	<u>99,946,724</u>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	428,582,666	439,785,230
Total Liabilities	<u>528,326,565</u>	<u>539,731,954</u>
NET POSITION		
Net investment in capital assets	227,319,870	222,418,497
Restricted for water meter retrofit program	446,699	369,390
Restricted for debt service	10,025,000	1,580,000
Restricted for operations and maintenance reserve	1,672,705	1,229,462
Restricted for renewal and replacement reserve	10,000,000	10,000,000
Restricted for water rate stabilization	500,000	500,000
Unrestricted	51,471,349	57,107,888
Total Net Position	<u>301,435,623</u>	<u>293,205,237</u>
Total Liabilities and Net Position	<u>\$ 829,762,188</u>	<u>\$ 832,937,191</u>

See accompanying notes.

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TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ACTUAL TO ACTUAL
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Charges for water sales	\$ 79,911,614	\$ 76,451,858
Hydroelectric sales	3,557,965	3,519,897
Other operating sales	2,107,528	1,818,744
	<u>85,577,107</u>	<u>81,790,499</u>
OPERATING EXPENSES		
Salaries and wages	12,007,022	11,128,162
Employee benefits	5,045,922	4,819,187
Services and supplies	20,048,245	18,325,699
	<u>37,101,189</u>	<u>34,273,048</u>
Depreciation	22,517,885	22,349,225
	<u>59,619,074</u>	<u>56,622,273</u>
Operating Income	<u>25,958,033</u>	<u>25,168,226</u>
NONOPERATING REVENUES (EXPENSES)		
Grants	208,227	791,773
Investment earnings	2,007,375	2,277,298
Net (decrease) in fair value of investments	(17,119)	(64,336)
Gain on refunding	-	1,305,810
Gain (Loss) on disposal of assets	(21,463)	(611,086)
Amortization of bond/note issuance costs	(852,069)	(969,053)
Interest expense	(21,791,975)	(21,786,675)
Other non-operating revenue	163,057	248,676
Other non-operating expense	(163,057)	(215,457)
	<u>(20,467,024)</u>	<u>(19,023,050)</u>
Income before Capital Contributions	<u>5,491,009</u>	<u>6,145,176</u>
CAPITAL CONTRIBUTIONS		
Water meter retrofit program	174,698	173,094
Developer infrastructure contributions	702,699	263,249
Developer will-serve contributions (net of refunds)	201,871	173,599
Developer capital contributions-other	469,732	153,475
Developer facility charges (net of refunds)	1,047,715	263,089
Contributions from others	142,662	82,556
	<u>2,739,377</u>	<u>1,109,062</u>
Change in Net Position	<u>8,230,386</u>	<u>7,254,238</u>
NET POSITION , BEGINNING OF YEAR AS PREVIOUSLY REPORTED	-	288,191,217
Adjustment	-	(2,240,218)
NET POSITION, BEGINNING OF YEAR AS RESTATED	<u>293,205,237</u>	<u>285,950,999</u>
NET POSITON, END OF YEAR	<u>\$ 301,435,623</u>	<u>\$ 293,205,237</u>

See accompanying notes.

**TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 85,561,257	\$ 79,587,777
Cash paid to employees	(16,980,550)	(15,990,810)
Cash paid to suppliers	(18,685,995)	(18,235,093)
	<u>49,894,712</u>	<u>45,361,874</u>
Net Cash Provided by Operating Activities		
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(15,145,488)	(11,674,697)
Interest paid on financing	(20,043,442)	(20,375,143)
Principal paid on financing	(1,928,012)	(10,660,770)
Proceeds from capital debt issuance	-	459,710
Redemption of commercial paper notes	(11,400,000)	-
Proceeds from capital asset disposal	72,429	13,632
Contributions for water meter retrofit program	174,698	173,094
Contributions from developers-will-serve letters	201,871	173,599
Contributions from developers-other	469,732	153,475
Contributions from developers-facility charges	1,047,715	263,089
Contributions from others	142,662	82,556
Grants	1,000,000	-
Bond/Note issuance costs	(790,876)	(711,737)
	<u>(46,198,711)</u>	<u>(42,103,192)</u>
Net Cash (Used) by Capital and Related Financing Activities		
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,859,745	2,192,927
	<u>5,555,746</u>	<u>5,451,609</u>
Net Increase in Cash and Cash Equivalents		
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$63,770,020 and \$73,237,654 in restricted accounts for the years ended June 30, 2012 and 2011, respectively)	<u>127,141,916</u>	<u>121,690,307</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR (including \$72,701,209 and \$63,770,020 in restricted accounts for the years ended June 30, 2013 and 2012, respectively)	<u>\$ 132,697,662</u>	<u>\$ 127,141,916</u>

(continued)

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	<u>\$ 25,958,033</u>	<u>\$ 25,168,226</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,517,885	22,349,225
Other non-operating revenues	188,349	150,000
Other non-operating expenses	(163,057)	(215,457)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(90,192)	(2,115,352)
Due from others	(8,625)	(16,548)
Due from other governments	(4,471)	(61,734)
Prepaid assets	(123,616)	(56,679)
Increase (decrease) in:		
Accounts payable	890,429	110,025
Accrued liabilities	72,394	(43,461)
Due to customers and developers	62,146	(159,088)
Due to other governments	<u>595,437</u>	<u>252,717</u>
Total Adjustments	<u>23,936,679</u>	<u>20,193,648</u>
Net Cash Provided by Operating Activities	<u><u>\$ 49,894,712</u></u>	<u><u>\$ 45,361,874</u></u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer infrastructure contributions	\$ 702,699	\$ 263,249
Amortization of deferred bond/loan issuance expenses	61,193	367,165
Amortization of net bond premium	(625,608)	(2,153,515)
Amortization of refunding allowances to interest expense	2,460,605	2,377,303
SUPPLEMENTAL CASH FLOWS INFORMATION		
Capitalization of interest expense	70,305	62,136
Capitalization of interest revenue	25,614	26,649

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity and Purpose:

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

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

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

The cities and county representatives are not required to be elected officials. Modifications to the JPA were approved by the governing bodies in December 2009 which changed the at-large seat into a second seat for Washoe County. In addition to the aforementioned change, the Technical Advisory Committee (TAC) was dissolved since TMWA has become an experienced municipal water utility. The amendments to the JPA were approved by the Attorney General's Office of the State of Nevada effective February 3, 2010.

Basis of Accounting:

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

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A proprietary fund distinguishes operating revenues and expenses from non-operating 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. Non-operating revenues and non-operating expenses result from nonexchange transactions or ancillary services.

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

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

Budgets and Budgetary Accounting:

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

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

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the years ended June 30, 2013 and 2012. These presentations for fiscal years 2013 and 2012 are included as Supplementary Information.

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Cash and Investments:

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

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

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

Cash Equivalents:

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

Accounts Receivable:

Accounts receivable is comprised of amounts due from TMWA's customers, net of an allowance for uncollectible accounts. Amounts due from TMWA 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.

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

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

A portion of the proceeds from the TMWA's 2001 water revenue bonds are classified as restricted assets on the Statements of Net Position because their use is limited to the future purchase of Hydroelectric Assets, as stipulated in the Asset Purchase Agreement with NV Energy, Inc. (formerly Sierra Pacific Power Company).

Prepaid Items:

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

Capital Assets:

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

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

Distribution mains	60-75	Canals/Ditches	15-50
Plant	15-50	Reservoirs	20-75
Services	15-60	Vehicles	5-10
Booster pump stations	15-50	Furniture and fixtures	10

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Tanks	65-75	Computer hardware and software	3-5
Wells	15-50	Lab equipment	5
Pressure reducing valves	25	Corporate building	50
Hydroelectric facilities	60		

Compensated Absences:

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

Classification of Revenues:

Operating revenues consist of water sales, hydroelectric sales, miscellaneous fee income and various reimbursements of operating expenses. Nonoperating revenues consist essentially of income derived from investments, grant revenues, and reimbursement for non-operating 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.

Adoption of Accounting Pronouncements:

TMWA implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, in the current year which changed classifications of the balance sheet to include new categories for deferred outflows of resources or deferred inflows of resources, and redefined net assets as net position. In applying these new GASB definitions to TMWA, the primary impact on unrestricted net position was the retroactive write-off of deferred bond issuance costs totaling \$2.2 million as of July 1, 2011; leaving only a balance for bond insurance which was prepaid and is being amortized over the life of the bonds.

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.

TRUCKEE MEADOWS WATER AUTHORITY
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NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Billed amounts	\$ 5,673,427	\$ 5,216,219
Earned, but unbilled amounts	<u>7,216,469</u>	<u>7,774,037</u>
	12,889,896	12,990,256
Allowance for uncollectibles	<u>(431,914)</u>	<u>(622,466)</u>
Accounts receivable, net	<u>\$12,457,982</u>	<u>\$12,367,790</u>

NOTE 4 – CASH AND INVESTMENTS

Deposits:

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2013, the carrying amount of TMWA's deposits of \$1,253,498 was less than the respective bank balance of \$1,576,209 by \$322,711. At June 30, 2012, the carrying amount of TMWA's deposits of \$17,787,552 was less than the respective bank balance of \$18,261,135 by \$473,583. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

Investments:

As of June 30, 2013, TMWA had the following investments and maturities:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>
INVESTMENTS:			
U.S. Agencies	\$ 30,030,077	\$ 24,544,352	\$ 5,485,725
Guaranteed Investment Contracts	34,356,465	34,356,465	-
LGIP	1,370,409	1,370,409	-
Money Market Mutual Funds	44,009,707	44,009,707	-
Corporate Notes (TLGP)	7,372,594	7,372,594	-
Corporate Commercial Paper	4,300,000	4,300,000	-
Negotiable Certificates of Deposit	<u>9,999,750</u>	<u>9,999,750</u>	<u>-</u>
Total Investments	<u>\$ 131,439,002</u>	<u>\$ 125,953,277</u>	<u>\$ 5,485,725</u>

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As of June 30, 2012, TMWA had the following investments and maturities:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>
INVESTMENTS:			
U.S. Agencies	\$ 55,601,257	\$ 31,902,611	\$ 23,698,646
U.S. Treasuries	157,000	157,000	-
Guaranteed Investment Contracts	34,356,968	34,356,968	-
LGIP	1,368,127	1,368,127	-
Money Market Mutual Funds	14,061,530	14,061,530	-
Corporate Notes (TLGP)	3,793,079	-	3,793,079
Total Investments	<u>\$ 109,337,961</u>	<u>\$ 81,846,236</u>	<u>\$ 27,491,725</u>

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

Interest Rate Risk:

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

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agency 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 97 days. In addition, the guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies

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are rated “AAA” and when investments are made in corporate commercial paper these investments are rated “A-1+”/“P-1”. Investments in corporate notes under the Temporary Liquidity Guarantee Program (TLGP) are rated “AAA”.

Concentration of Credit Risk:

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

At June 30, 2013 and 2012, the following investments by issuer, exceeded 5% of TMWA’s total investments:

	June 30, 2013	
Bank of America Guaranteed Investment Contract	\$29,756,465	22.64%
Federal National Mortgage Association	\$12,783,785	9.73%
Federal Home Loan Bank	\$15,358,580	11.68%

	June 30, 2012	
Bank of America Guaranteed Investment Contract	\$29,752,798	27.21%
Federal National Mortgage Association	\$12,359,942	11.30%
Federal Home Loan Bank	\$17,514,632	16.02%
Federal Home Loan Mortgage Corporation	\$25,726,683	23.53%

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	\$ 7,646,627	\$ 15,372,224	\$(16,382,587)	\$ 6,636,264
Land	11,228,980	-	-	11,228,980
Water rights	92,126,153	2,001	-	92,128,154
 Total Capital Assets not Being Depreciated	111,001,760	15,374,225	(16,382,587)	109,993,398

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	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Being Depreciated:				
Distribution mains	\$ 284,473,237	\$ 3,545,990	\$ -	\$ 288,019,227
Plant	154,825,980	3,415,445	-	158,241,425
Services	106,528,066	955,854	(57,394)	107,426,526
Booster pump stations	37,049,568	708,488	(69,844)	37,688,212
Tanks	58,266,919	121,652	-	58,388,571
Wells	23,867,642	2,202,903	-	26,070,545
Pressure reducing valves	5,355,002	249,451	(62,311)	5,542,142
Canals	36,466,263	3,356,913	-	39,823,176
Reservoirs	10,989,693	-	-	10,989,693
Vehicles	3,046,346	209,319	(201,338)	3,054,327
Furniture and fixtures	703,101	235,986	(14,852)	924,235
Computer hardware and software	1,899,251	631,002	(608,887)	1,921,366
Lab equipment	25,606	-	-	25,606
Hydroelectric facilities	14,839,979	1,236,468	-	16,076,447
Corporate building	8,900,835	1,103,007	-	10,003,842
Total Capital Assets Being Depreciated	747,237,488	17,972,478	(1,014,626)	764,195,340
Accumulated Depreciation:				
Distribution mains	(42,340,646)	(5,269,776)	-	(47,610,422)
Plant	(48,958,762)	(4,783,746)	-	(53,742,508)
Services	(44,440,109)	(5,737,902)	32,524	(50,145,487)
Booster pump stations	(8,967,953)	(1,341,169)	34,636	(10,274,486)
Tanks	(9,784,409)	(1,313,973)	-	(11,098,382)
Wells	(9,915,823)	(1,391,804)	-	(11,307,627)
Pressure reducing valves	(2,486,338)	(330,747)	31,311	(2,785,774)
Canals	(4,795,417)	(892,664)	-	(5,688,081)
Reservoirs	(3,497,549)	(375,482)	-	(3,873,031)
Vehicles	(2,206,925)	(274,328)	198,526	(2,282,727)
Furniture and fixtures	(547,609)	(54,176)	14,852	(586,933)
Computer hardware and software	(1,004,232)	(193,636)	608,887	(588,981)
Lab equipment	(10,242)	(5,121)	-	(15,363)
Hydroelectric facilities	(1,422,994)	(350,774)	-	(1,773,768)
Corporate building	(1,104,812)	(202,587)	-	(1,307,399)

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	Beginning Balances	Increases	Decreases	Ending Balances
Total Accumulated Depreciation	\$ (181,483,820)	\$(22,517,885)	\$ 920,736	\$(203,080,969)
Total Capital Assets being Depreciated, Net	565,753,668	(4,545,407)	(93,890)	561,114,371
Total Capital Assets, Net	<u>\$ 676,755,428</u>	<u>\$ 10,828,818</u>	<u>\$(16,476,477)</u>	<u>\$ 671,107,769</u>

Capital asset activity for the year ended June 30, 2012 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	\$ 4,068,749	\$ 11,325,938	\$ (7,748,060)	\$ 7,646,627
Land	11,138,348	90,632	-	11,228,980
Water rights	92,114,653	11,500	-	92,126,153
Total Capital Assets not Being Depreciated	<u>107,321,750</u>	<u>11,428,070</u>	<u>(7,748,060)</u>	<u>111,001,760</u>
Capital Assets Being Depreciated:				
Distribution mains	280,361,729	4,111,508	-	284,473,237
Plant	154,378,681	447,299	-	154,825,980
Services	105,664,947	863,119	-	106,528,066
Booster pump stations	36,608,206	686,807	(245,445)	37,049,568
Tanks	57,745,427	521,492	-	58,266,919
Wells	24,758,985	305,798	(1,197,141)	23,867,642
Pressure reducing valves	5,161,102	255,238	(61,338)	5,355,002
Canals/Siphons	36,344,428	121,835	-	36,466,263
Reservoirs	10,999,869	-	(10,176)	10,989,693
Vehicles	3,316,232	221,189	(491,075)	3,046,346
Furniture and fixtures	695,859	7,242	-	703,101
Computer hardware and software	1,783,168	266,274	(150,191)	1,899,251
Lab equipment	25,606	-	-	25,606
Hydroelectric facilities	14,138,832	701,147	-	14,839,979
Corporate building	8,900,835	-	-	8,900,835

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	Beginning Balances	Increases	Decreases	Ending Balances
Total Capital Assets Being Depreciated	\$ 740,883,906	\$ 8,508,948	\$ (2,155,366)	\$ 747,237,488
Accumulated Depreciation:				
Distribution mains	(37,148,302)	(5,192,344)	-	(42,340,646)
Plant	(44,208,876)	(4,749,886)	-	(48,958,762)
Services	(38,747,993)	(5,692,116)	-	(44,440,109)
Booster pump stations	(7,844,876)	(1,338,084)	215,007	(8,967,953)
Tanks	(8,480,068)	(1,304,341)	-	(9,784,409)
Wells	(9,140,754)	(1,378,157)	603,088	(9,915,823)
Pressure reducing valves	(2,226,292)	(321,224)	61,178	(2,486,338)
Canals/Siphons	(3,923,331)	(872,086)	-	(4,795,417)
Reservoirs	(3,132,217)	(375,482)	10,150	(3,497,549)
Vehicles	(2,430,020)	(267,938)	491,033	(2,206,925)
Furniture and fixtures	(497,386)	(50,223)	-	(547,609)
Computer hardware and software	(868,219)	(286,204)	150,191	(1,004,232)
Lab equipment	(5,121)	(5,121)	-	(10,242)
Hydroelectric facilities	(1,096,612)	(326,382)	-	(1,422,994)
Corporate building	(915,175)	(189,637)	-	(1,104,812)
Total Accumulated Depreciation	<u>(160,665,242)</u>	<u>(22,349,225)</u>	<u>1,530,647</u>	<u>(181,483,820)</u>
Total Capital Assets being Depreciated, Net	<u>580,218,664</u>	<u>(13,840,277)</u>	<u>(624,719)</u>	<u>565,753,668</u>
Total Capital Assets, Net	<u>\$ 687,540,414</u>	<u>\$ (2,412,207)</u>	<u>\$ (8,372,779)</u>	<u>\$ 676,755,428</u>

NOTE 6 – LONG-TERM DEBT

The 2001A Bonds issued June 1, 2001, constituted special, limited obligations of TMWA. The principal of and interest on the Bonds were payable solely from and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The Bonds did not constitute a general obligation of TMWA, nor did these bonds constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. As of June 30, 2012, the 2001A Bonds were entirely defeased and are no longer outstanding.

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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 was subordinate to the 2001A Bonds issued June 1, 2001, the 2005A Revenue Bonds, the 2006 Refunding Bonds, the 2007 Refunding Bonds, the 2010 Refunding Bonds as well as to any future senior lien bonds.

On November 15, 2005, TMWA issued \$40,000,000 in Series 2005A water revenue bonds which constitute special limited obligations of TMWA. The principal and interest are payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The bonds do not constitute a general obligation of TMWA, and do not constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years. These senior lien bonds were sold on senior lien parity with the 2001A Bonds.

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

On August 15, 2006, TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that authorized the issuance of up to \$160,000,000 in TECP notes. Of the total authorization, TMWA has outstanding \$68,000,000 and \$79,400,000 as of June 30, 2013 and June 30, 2012, respectively. The first draw was on August 16, 2006 for \$30,000,000, a second draw was on December 5, 2006 for \$13,000,000, a third draw was made on February 15, 2008 for \$25,000,000, and a fourth draw was made on June 28, 2011 for \$11,400,000, for a total issuance of \$79,400,000 which was outstanding as of June 30, 2012, leaving \$68,000,000 outstanding at June 30, 2013. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012, leaving \$68,000,000 outstanding at June 30, 2013. TMWA has remaining authorization to issue \$80.6 million

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as of June 30, 2013. The proceeds from the first two draws were used solely to purchase water rights for future sale of will serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The TECP program was originally facilitated by a direct pay letter of credit between TMWA and Lloyds TSB PLC and subsequently extended to August 16, 2012. On June 8, 2012 the direct pay letter of credit with Lloyds TSB was terminated and the entire Liquidity Facility was split evenly between JP Morgan N.A. and Wells Fargo N.A. as substitute Liquidity Providers. The Liquidity Facility fees for JP Morgan N.A. and Wells Fargo N.A. are 80 basis points, 15 basis points higher than Lloyds TSB. The Lloyds TSB Liquidity Facility was replaced due to Lloyds notifying TMWA that they would no longer provide this type of liquidity support. The average interest rate on the outstanding balance of TECP as of June 30, 2013 and June 30, 2012 was 0.17% and 0.18% respectively. As of June 30, 2013 the total TECP notes outstanding were comprised of 2 tranches of \$34 million each with maturities of 123 and 125 days. As of June 30, 2012 the total TECP notes outstanding were composed of 4 tranches ranging in size from \$4.0 million to \$39.7 million and ranging in maturities from 55 to 97 days.

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

On July 25, 2009, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to partially fund TMWA's Mogul Bypass Siphon Project. The loan was provided through the American Recovery and Reinvestment Act (ARRA) stimulus funding provided by the federal government. TMWA made draws on this contract as construction proceeded, totaling \$2,309,945. An additional draw was made in fiscal year 2011 for \$91,175 which brought the total draws on the loan balance to \$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 was subordinate to the senior lien

TRUCKEE MEADOWS WATER AUTHORITY
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2001A Bonds, and is subordinate to the 2005A Bonds, 2006 Refunding Bonds, the 2007 Refunding Bonds, and the 2010 Refunding Bonds, as well as future senior lien bonds.

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

On February 11, 2010, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Glendale Water Treatment Plant Diversion Project. Total construction costs for the Glendale Diversion Project were less than expected. Consequently TMWA requested and was granted that the remaining loan authorization be able to fund final improvements on the Highland Canal. As of June 30, 2013 total draws on the loan were \$4,381,614. 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 was subordinate to the senior lien 2001A Bonds, and is subordinate to the 2005A Bonds, 2006 Refunding Bonds, 2007 Refunding Bonds, and the 2010 Refunding Bonds, as well as future senior lien bonds.

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

The following schedules summarize the changes in long-term obligations as of June 30, 2013 and 2012.

June 30, 2013	Final Maturity Date	Authorized	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due in 2013-2014
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	4,669,565	3,555,620	-	224,343	3,331,277	231,602
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	36,415,000	-	795,000	35,620,000	825,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	149,485,000	-	345,000	149,140,000	355,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	216,185,000	-	440,000	215,745,000	460,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	2,164,202	-	123,668	2,040,534	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	28,240,000	-	-	28,240,000	8,385,000
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	4,381,614	-	-	4,381,614	196,686
Subtotal		449,412,299	440,426,436	-	1,928,011	438,498,425	10,576,957
Plus: Unamortized net bond premium			1,286,806	-	625,608	661,198	
Total Debt Before Tax Exempt Commercial Paper			441,713,242	-	2,553,619	439,159,623	
TMWA Tax-Exempt Commercial Paper		148,600,000	79,400,000	-	11,400,000	68,000,000	68,000,000
Total Debt		<u>\$ 598,012,299</u>	<u>\$ 521,113,242</u>	<u>\$ -</u>	<u>\$ 13,953,619</u>	<u>\$ 507,159,623</u>	<u>\$ 78,576,957</u>

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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June 30, 2012	Final Maturity Date	Authorized	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due in 2012-2013
Supported by User Charges:							
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2011	\$ 448,810,000	\$ 8,810,000	\$ -	\$ 8,810,000	\$ -	\$ -
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	4,669,565	3,772,931	-	217,311	3,555,620	224,343
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	37,180,000	-	765,000	36,415,000	795,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	149,815,000	-	330,000	149,485,000	345,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	216,605,000	-	420,000	216,185,000	440,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	2,282,661	-	118,459	2,164,202	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	28,240,000	-	-	28,240,000	-
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	TBD	8,500,000	3,921,904	459,710	-	4,381,614	-
Subtotal		902,340,685	450,627,496	459,710	10,660,770	440,426,436	1,928,012
Plus: Unamortized net bond premium			3,440,321	-	2,153,515	1,286,806	
Total Debt Before Tax Exempt Commercial Paper			454,067,817	459,710	12,814,285	441,713,242	
TMWA Tax-Exempt Commercial Paper		160,000,000	79,400,000	-	-	79,400,000	79,400,000
Total Debt		<u>\$ 1,062,340,685</u>	<u>\$ 533,467,817</u>	<u>\$ 459,710</u>	<u>\$ 12,814,285</u>	<u>\$ 521,113,242</u>	<u>\$ 81,328,012</u>

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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Annual debt service requirements to maturity for TMWA's bonds and commercial paper are as follows:

<u>Debt to Maturity</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Debt Service</u>
June 30:			
2014	\$ 78,576,957	\$ 19,646,757	\$ 98,223,714
2015	12,695,895	19,088,869	31,784,764
2016	11,800,287	18,501,046	30,301,333
2017	13,310,147	17,898,542	31,208,689
2018	14,620,491	17,258,042	31,878,533
2019-2023	83,330,675	75,999,462	159,330,137
2024-2028	101,705,018	56,342,851	158,047,869
2029-2033	125,898,955	31,097,287	156,996,242
2034-2037	64,560,000	3,675,900	68,235,900
Total	<u>\$ 506,498,425</u>	<u>\$ 259,508,756</u>	<u>\$ 766,007,181</u>

Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in fiscal year 2014. It is the intent of TMWA that as TECP matures, the interest and principal will be remarketed into new commercial paper notes.

NOTE 7 – NET POSITION

Restricted Net Position:

TMWA records the following restrictions of net position:

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

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

Board Designation:

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

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – CONTINGENT LIABILITIES

TMWA is a co-defendant with others, in lawsuits with the Pyramid Lake Paiute Tribe. It is anticipated these lawsuits will be dismissed upon finalization of a water settlement agreement stemming from Public Law 101-618, and the Truckee River Operating Agreement (TROA). TROA has been executed and the litigation related to its implementation is ongoing.

On August 31, 2006, the Truckee-Carson Irrigation District (TCID) filed an action in California against NV Energy, Inc. and TMWA seeking damages and enforcement of a 1943 agreement (the 1943 Operating Agreement) between TCID and TMWA (as successor to NV Energy, Inc.). The 1943 Operating Agreement relates to the operation and maintenance of certain interests, including a water right established by storage in Donner Lake (the Deeded Donner Lake Water Right). TCID and TMWA own the Deeded Donner Lake Water Right as tenants-in-common, and the 1943 Operating Agreement includes provisions concerning use of water from that water right for domestic purposes, irrigation, and for hydroelectric generation. The action concerns whether the 1943 Operating Agreement is still controlling, whether prior operations not consistent with it constitute a breach of contract, and whether TCID has been damaged. TCID claims damages for prior losses of use of the Donner Lake Water Right that exceed \$50,000,000.

TMWA answered TCID's complaint and filed a cross-complaint seeking partition of the Deeded Donner Lake Water Right and monetary relief from TCID for its failure to contribute to the expense of operation and maintenance of the Donner Lake Dam facilities. The court separated the claims for partition and declaratory relief, which are equitable claims, from the claims for damages and contribution for purposes of trial. The trial on TMWA's claim for partition of the Deeded Donner Lake Water Right and on TCID's claim for declaratory relief took place October, November, and December of 2009. In its Statement of Decision of March 22, 2010, the Court concluded that the Deeded Donner Lake Water Right should be partitioned. It also found that a provision of the 1943 Operating Agreement on which TCID's damage claims are based was unenforceable. On June 9, 2010, the court entered an Interlocutory Judgment partitioning the Deeded Donner Lake Water Right in kind so that TCID and TMWA are now owners in kind of divided, equal one-half shares of that water right. TCID filed a timely appeal from that Interlocutory Judgment and the last brief in that appeal was filed on October 25, 2011.

The Court had scheduled a trial beginning November 3, 2010 on TCID's claim for damages and TMWA's claim for contribution. However, by order dated August 30, 2010, all proceedings at the trial court level are now stayed pending the outcome of the appeal discussed above.

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

It is not possible at this time to predict the final outcome of the litigation. However, TMWA will continue to vigorously defend the matter and counsel for TMWA believes that TCID's allegations that damages are or exceed \$50 million are greatly exaggerated.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – PENSIONS AND OTHER EMPLOYEE BENEFITS

Defined Benefit Plan:

Plan Description. TMWA contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement, disability and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes the financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Plan members have the option of being funded under two alternative methods. Under the employer pay contribution plan, TMWA is required to contribute all amounts due under the plan. Under the employee-employer contribution plan, TMWA and the employee share equally in contribution of amounts due under the plan. The contribution requirements of plan members and TMWA are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism may only be amended through legislation. TMWA's contribution rates, based on employee members' covered payroll, and amount contributed, which equaled required contributions, are as follows:

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

Fiscal Year	Contribution Rate		Total Contribution
	Employer Pay Plan	Employee-Employer Plan	
2012/2013	23.75%	12.25%	\$ 2,898,332
2011/2012	23.75%	12.25%	\$ 2,726,224
2010/2011	21.50%	11.25%	\$ 2,740,899

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. As of June 30, 2013 TMWA had matching contributions totaling \$709,437, and \$678,554 as of June 30, 2012.

Other Post-Employment Benefit Plan (OPEB):

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

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

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group of represented employees will receive a subsidy as a percentage of the total health premium, dependent upon years of service and age of retirement, with a maximum subsidy of 85% with 20 years of credited service. Employees with 20 or more years of service electing Medicare Risk Contract

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

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

The number of participants and retirees as of July 1, 2012, the effective date of the OPEB valuation was 150, and 17, respectively. As of June 30, 2013 and June 30, 2012 there were 22 and 17 retirees receiving benefits from the Plan, respectively.

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

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 216,956	\$ 216,956	100%	\$ -
2012	\$ 185,251	\$ 185,251	100%	\$ -
2011	\$ 185,251	\$ 185,251	100%	\$ -

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

The net OPEB obligation as of June 30, 2013 and 2012 was calculated as follows:

	2013	2012
Annual Required Contribution (ARC):		
Normal cost	\$ 253,967	\$ 216,360
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	(37,011)	(31,109)
Annual Required Contribution (ARC)	\$ 216,956	\$ 185,251
Determination of Net OPEB Obligation:		
Annual Required Contribution (ARC)	\$ 216,956	\$ 185,251
Annual OPEB Cost	\$ 216,956	\$ 185,251
Contributions Made to Trust	(216,956)	(185,251)
Increase (decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
Net OPEB Obligation, End of Year	\$ -	\$ -

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (July 1, 2012) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 6,228,631
Actuarial Value of Plan Assets (b)	6,181,506
Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	\$ 47,125
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b) / (a)	99.24%
Covered Payroll (c)	\$ 11,618,408
UAAL as a Percentage of Covered Payroll [(a) - (b)] / (c)	0.41%

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

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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

Actuarial valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	26 years
Investment rate of return	6.50%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

NOTE 12– COMMITMENTS

At June 30, 2013, TMWA was committed under the Asset Purchase Agreement to expend \$8,000,000 for the purchase of Hydroelectric Assets. NV Energy, Inc. and TMWA have agreed to pro-rate this sum equally among the four run-of-river hydroelectric plants so the plants could be purchased individually. As of June 30, 2013 TMWA had completed the purchase of three of the four run-of-river hydroelectric plants for \$6,000,000 or two million dollars each. One hydro plant was purchased in fiscal year 2008 and the other two hydro plants were purchased in fiscal year 2009. The purchase of the fourth and last hydro plant is at an unspecified future date.

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

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2014 as a contribution in fiscal year 2014 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.

REQUIRED SUPPLEMENTARY INFORMATION

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**TRUCKEE MEADOWS WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013**

SCHEDULE OF FUNDING PROGRESS

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a) / c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	(UAAL) as a Percentage of Covered Payroll
July 1, 2012	\$ 6,181,506	\$ 6,228,631	\$ 47,125	99.2%	\$ 11,618,408	0.4%
March 1, 2010	\$ 4,967,671	\$ 4,615,337	\$ (352,334)	107.6%	\$ 11,738,368	-3.0%
July 1, 2007	\$ 1,462,762	\$ 7,112,341	\$ 5,649,579	20.60%	\$ 12,325,564	45.8%

As of the July 1, 2012 Actuarial Valuation, TMWA reduced the discount rate assumption from 8% to 6.5% which is the primary reason for the increase in the Actuarial Accrued Liability (AAL) from the March 1, 2010 valuation. As of March 1, 2010 Actuarial Valuation, assets were deposited into the Retirement Benefits Investment Fund (RBIF). The RBIF portfolio is designed to generate an 8% annual return over the long-term time frames. Accordingly, for purposes of the March 1, 2010 Actuarial Valuation, the discount rate was increased to 8% from 4.25% materially reducing the actuarial accrued liability from the July 1, 2007 valuation.

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SUPPLEMENTARY INFORMATION

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Augmented/ Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Charges for water sales	\$ 76,817,704	\$ 79,911,614	\$ 3,093,910
Hydroelectric sales	3,378,720	3,557,965	179,245
Other operating sales	1,611,000	2,107,528	496,528
	<u>81,807,424</u>	<u>85,577,107</u>	<u>3,769,683</u>
OPERATING EXPENSES			
Salaries and wages	12,452,162	12,007,022	445,140
Employee benefits	5,444,204	5,045,922	398,282
Services and supplies	19,739,865	20,048,245	(308,380)
	<u>37,636,231</u>	<u>37,101,189</u>	<u>535,042</u>
Total Operating Expenses before Depreciation	37,636,231	37,101,189	535,042
Depreciation	23,156,208	22,517,885	638,323
	<u>60,792,439</u>	<u>59,619,074</u>	<u>1,173,365</u>
Total Operating Expenses	60,792,439	59,619,074	1,173,365
Operating Income	<u>21,014,985</u>	<u>25,958,033</u>	<u>4,943,048</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	208,227	208,227
Investment earnings	2,203,490	2,007,375	(196,115)
Net (decrease) in fair value of investments	-	(17,119)	(17,119)
Gain (Loss) on disposal of assets	-	(21,463)	(21,463)
Amortization of bond/note issuance costs	(3,145,200)	(852,069)	2,293,131
Interest expense	(21,850,518)	(21,791,975)	58,543
Other non-operating revenue	150,000	163,057	13,057
Other non operating expense	(240,000)	(163,057)	76,943
	<u>(22,882,228)</u>	<u>(20,467,024)</u>	<u>2,415,204</u>
Total Nonoperating Revenues (Expenses)	(22,882,228)	(20,467,024)	2,415,204
Income (Loss) before Capital Contributions	<u>(1,867,243)</u>	<u>5,491,009</u>	<u>7,358,252</u>
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	72,984	174,698	101,714
Developer infrastructure contributions	132,132	702,699	570,567
Developer will-serve contributions (net of refunds)	57,348	201,871	144,523
Developer capital contributions-other	69,108	469,732	400,624
Developer facility charges (net of refunds)	123,780	1,047,715	923,935
Contributions from others	-	142,662	142,662
	<u>455,352</u>	<u>2,739,377</u>	<u>2,284,025</u>
Net Capital Contributions	455,352	2,739,377	2,284,025
Change in Net Position	<u>\$ (1,411,891)</u>	<u>8,230,386</u>	<u>\$ 9,642,277</u>
NET POSITION , BEGINNING OF YEAR		<u>293,205,237</u>	
NET POSITION , END OF YEAR		<u>\$ 301,435,623</u>	

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>AUGMENTED/ AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Charges for water sales	\$ 73,553,190	\$ 76,451,858	\$ 2,898,668
Hydroelectric sales	3,238,629	3,519,897	281,268
Other operating sales	1,676,972	1,818,744	141,772
Total Operating Revenues	<u>78,468,791</u>	<u>81,790,499</u>	<u>3,321,708</u>
OPERATING EXPENSES			
Salaries and wages	11,428,236	11,128,162	300,074
Employee benefits	5,303,088	4,819,187	483,901
Services and supplies	18,245,446	18,325,699	(80,253)
Total Operating Expenses before Depreciation	<u>34,976,770</u>	<u>34,273,048</u>	<u>703,722</u>
Depreciation	<u>22,880,244</u>	<u>22,349,225</u>	<u>531,019</u>
Total Operating Expenses	<u>57,857,014</u>	<u>56,622,273</u>	<u>1,234,741</u>
Operating Income	<u>20,611,777</u>	<u>25,168,226</u>	<u>4,556,449</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	791,773	791,773
Investment earnings	2,286,482	2,277,298	(9,184)
Net increase (decrease) in fair value of investments	-	(64,336)	(64,336)
Gain on refunding	-	1,305,810	1,305,810
Gain (loss) on disposal of assets	-	(611,086)	(611,086)
Amortization of bond/note issuance costs	(917,376)	(969,053)	(51,677)
Interest expense	(21,843,084)	(21,786,675)	56,409
Other non-operating revenue	150,000	248,676	98,676
Other non-operating expense	(240,000)	(215,457)	24,543
Total Nonoperating Revenues (Expenses)	<u>(20,563,978)</u>	<u>(19,023,050)</u>	<u>1,540,928</u>
Income (Loss) before Capital Contributions	<u>47,799</u>	<u>6,145,176</u>	<u>6,097,377</u>
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	72,984	173,094	100,110
Developer infrastructure contributions	132,132	263,249	131,117
Developer will-serve contributions (net of refunds)	57,348	173,599	116,251
Developer capital contributions-other	69,108	153,475	84,367
Developer facility charges (net of refunds)	123,780	263,089	139,309
Contributions from others	82,556	82,556	-
Net Capital Contributions	<u>537,908</u>	<u>1,109,062</u>	<u>571,154</u>
Change in Net Position	<u>\$ 585,707</u>	<u>7,254,238</u>	<u>\$ 6,668,531</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED		288,191,217	
ADJUSTMENT		<u>(2,240,218)</u>	
NET POSITION, BEGINNING OF YEAR, AS RESTATED		<u>285,950,999</u>	
NET POSITION, END OF YEAR		<u>\$ 293,205,237</u>	

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STATISTICAL SECTION

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**TRUCKEE MEADOWS WATER AUTHORITY
STATISTICAL SECTION
(UNAUDITED)**

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

Section Contents

Schedule No.

Financial Trends

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

1-6

Revenue Capacity

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

7-8

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, and its ability to issue additional future debt.

9

Demographic and Economic Information

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

10-12

Operating Information

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

13-17

Debt Ratios

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

18-19

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

TRUCKEE MEADOWS WATER AUTHORITY
NET POSITION BY COMPONENT
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012</u> <u>As restated (1)</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net Position:				
Net investment in capital assets	\$227,319,870	\$222,418,497	\$223,410,534	\$220,473,195
Restricted	22,644,404	13,678,852	22,873,643	23,515,136
Unrestricted	<u>51,471,349</u>	<u>57,107,888</u>	<u>41,907,040</u>	<u>43,968,725</u>
Total Net Position:	<u><u>\$301,435,623</u></u>	<u><u>\$293,205,237</u></u>	<u><u>\$288,191,217</u></u>	<u><u>\$287,957,056</u></u>

(1) TMWA implemented Government Accounting Standards Board Statement 65, *Items Previously Reported as Assets and Liabilities*, which required restatement of the financial statements.

<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
\$204,972,595	\$177,972,803	\$152,295,208	\$108,459,961	\$58,708,815	\$9,715,119
23,947,116	16,387,385	15,707,241	12,684,812	9,283,636	7,474,084
<u>56,186,497</u>	<u>87,278,594</u>	<u>87,347,874</u>	<u>79,963,807</u>	<u>50,545,732</u>	<u>47,670,208</u>
<u>\$285,106,208</u>	<u>\$281,638,782</u>	<u>\$255,350,323</u>	<u>\$201,108,580</u>	<u>\$118,538,183</u>	<u>\$64,859,411</u>

TRUCKEE MEADOWS WATER AUTHORITY
CHANGES IN NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Total Nonoperating Revenues/ (Expenses)</u>	<u>Income/(Loss) before Capital Contributions</u>	<u>Capital Contributions</u>	<u>Change in Net Position</u>
2013	\$85,577,107	\$59,619,074	\$ 25,958,033	\$ (20,467,024)	\$ 5,491,009	\$ 2,739,377	\$ 8,230,386
2012	81,790,499	56,622,273	25,168,226	(19,023,050)	6,145,176	1,109,062	7,254,238
2011	76,246,433	55,542,274	20,704,159	(21,802,941)	(1,098,782)	1,332,941	234,159
2010	75,667,848	58,388,775	17,279,073	(20,269,550)	(2,990,477)	5,841,325	2,850,848
2009	75,013,826	62,216,261	12,797,565	(19,873,120)	(7,075,555)	10,542,981	3,467,426
2008	78,220,168	60,591,754	17,628,414	(17,224,464)	403,950	25,884,509	26,288,459
2007	81,020,289	55,553,506	25,466,783	(15,626,417)	9,840,366	44,401,377	54,241,743
2006	76,667,478	52,254,652	24,412,826	(17,555,437)	6,857,389	75,713,007	82,570,396
2005	73,813,294	48,434,832	25,378,462	(19,135,162)	6,243,300	47,435,472	53,678,772
2004	73,614,496	44,724,139	28,890,357	(19,890,167)	9,000,190	25,478,001	34,478,191

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING REVENUES BY CUSTOMER CLASS
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

OPERATING REVENUES	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Revenues from water sales:					
Residential unmetered water sales	\$ 10,288,324	\$ 10,899,330	\$ 11,611,351	\$ 13,115,143	\$ 14,216,666
Residential metered water sales	43,957,551	41,476,536	37,636,859	35,962,518	34,646,185
Commercial metered water sales	10,885,539	10,473,659	10,214,401	10,112,854	9,812,718
Irrigation metered & fire protection	11,031,924	10,129,233	9,007,523	8,894,110	8,716,187
Wholesale sales	3,748,276	3,473,100	2,938,106	3,136,081	2,833,330
Total Water Sales	79,911,614	76,451,858	71,408,240	71,220,706	70,225,086
Hydroelectric revenue	3,557,965	3,519,897	3,079,158	2,577,660	2,769,918
Other operating revenues	2,107,528	1,818,744	1,759,035	1,869,482	2,018,822
Total Operating Revenues	\$ 85,577,107	\$ 81,790,499	\$ 76,246,433	\$ 75,667,848	\$ 75,013,826

OPERATING REVENUES	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues from water sales:					
Residential unmetered water sales	\$ 15,310,296	\$ 16,612,010	\$ 18,536,414	\$ 21,382,048	\$ 24,406,744
Residential metered water sales	34,940,141	35,085,859	30,513,084	26,350,944	22,469,394
Commercial metered water sales	10,326,007	10,415,049	10,302,813	10,501,889	10,933,077
Irrigation metered & fire protection	8,880,817	9,076,013	8,225,084	8,185,580	8,582,050
Wholesale sales	3,228,785	3,083,877	2,892,864	2,539,129	2,225,690
Total Water Sales	72,686,046	74,272,808	70,470,259	68,959,590	68,616,955
Hydroelectric revenue	2,836,521	3,136,806	2,442,953	1,091,843	1,965,825
Other operating revenues	2,697,601	3,610,675	3,754,266	3,761,861	3,031,716
Total Operating Revenues	\$ 78,220,168	\$ 81,020,289	\$ 76,667,478	\$ 73,813,294	\$ 73,614,496

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Salaries and wages	\$ 12,007,022	\$ 11,128,162	\$ 11,049,337	\$ 11,180,101	\$ 11,619,701
Employee benefits	5,045,922	4,819,187	4,537,531	4,378,347	4,429,266
Contract services	4,826,066	4,868,532	5,090,741	5,488,432	6,623,576
Utilities/power	5,189,312	4,571,453	4,432,932	6,639,620	7,384,879
Prof services- (general/legal/media/leg)	2,538,097	1,610,614	1,254,751	1,909,575	2,751,236
Supplies	1,694,093	1,522,106	1,155,351	1,112,419	1,319,905
Chemicals	1,383,824	1,333,002	1,361,144	1,653,424	1,443,177
Insurance and claims	501,300	534,577	608,352	647,983	611,405
Leases and rentals	70,196	74,596	84,844	69,472	124,563
Other expenses	3,845,357	3,810,820	3,645,076	3,318,784	3,754,603
Total Operating Expenses before Depreciation	37,101,189	34,273,048	33,220,057	36,398,157	40,062,310
Depreciation	22,517,885	22,349,225	22,322,217	21,990,618	22,153,951
Total Operating Expenses	\$ 59,619,074	\$ 56,622,273	\$ 55,542,274	\$ 58,388,775	\$ 62,216,261
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Salaries and wages	\$ 11,665,974	\$ 10,083,912	\$ 9,852,372	\$ 9,625,252	\$ 8,786,618
Employee benefits	4,528,891	3,967,687	3,868,295	3,946,913	3,452,864
Contract services	5,848,255	5,489,563	6,054,308	5,427,544	5,845,224
Utilities/power	7,292,830	7,055,167	5,763,686	5,644,007	5,739,559
Professional services	2,755,823	2,331,511	2,591,223	2,051,063	1,351,164
Supplies	1,496,065	1,427,467	1,456,754	1,185,896	986,372
Chemicals	1,231,681	1,165,321	1,295,165	1,079,829	964,991
Insurance and claims	644,638	645,064	584,651	541,744	662,798
Leases and rentals	-	58,181	189,674	307,562	286,206
Other expenses	4,310,112	4,087,764	3,665,756	3,342,049	3,042,608
Total Operating Expenses before Depreciation	39,774,269	36,311,637	35,321,884	33,151,859	31,118,404
Depreciation	20,817,485	19,241,869	16,932,768	15,282,973	13,605,735
Total Operating Expenses	\$ 60,591,754	\$ 55,553,506	\$ 52,254,652	\$ 48,434,832	\$ 44,724,139

TRUCKEE MEADOWS WATER AUTHORITY
NONOPERATING REVENUES AND EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

Fiscal Year	Investment Earnings	Interest Expense	Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or Expenses	Total Nonoperating Expenses
2013	\$2,007,375	(\$21,791,975)	\$208,227	(\$21,463)	(\$869,188)	(\$20,467,024)
2012	\$2,277,298	(\$21,786,675)	\$791,773	(\$611,086)	\$305,640	(\$19,023,050)
2011	\$2,322,169	(\$22,431,967)	\$274,837	(\$4,705)	(\$1,963,275)	(\$21,802,941)
2010	\$1,894,518	(\$22,291,259)	\$861,091	\$8,848	(\$742,748)	(\$20,269,550)
2009	\$3,635,126	(\$23,481,043)	\$564,277	\$3,557	(\$595,037)	(\$19,873,120)
2008	\$6,841,981	(\$24,106,569)	\$483,631	(\$91,170)	(\$352,337)	(\$17,224,464)
2007	\$7,558,263	(\$23,937,895)	\$330,378	(\$83,894)	\$506,231	(\$15,626,917)
2006	\$6,149,397	(\$23,655,038)	\$41,967	\$97,249	(\$189,012)	(\$17,555,437)
2005	\$3,493,471	\$22,895,351	\$440,559	\$4,636	(\$178,477)	(\$19,135,162)
2004	\$3,938,551	(\$23,163,457)	\$197,608	(\$684,392)	(\$178,477)	(\$19,890,167)

TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL CONTRIBUTIONS BY SOURCE (Net of Refunds)
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

<u>Fiscal Year</u>	<u>Developer Water Rights/ Will Serves</u>	<u>Developer Infrastructure</u>	<u>Developer Other</u>	<u>Water Meter Retrofit Program</u>	<u>Developer Facility Charges</u>	<u>From Other Governments</u>	<u>From Others</u>	<u>Total</u>
2013	\$ 201,871	\$ 702,699	\$ 469,732	\$ 174,698	\$ 1,047,715	\$ -	\$ 142,662	\$2,739,377
2012	173,599	263,249	153,475	173,094	263,089	-	82,556	1,109,062
2011	125,123	507,970	126,899	170,201	252,748	-	150,000	1,332,941
2010	133,305	4,088,095	184,791	248,618	437,933	-	748,583	5,841,325
2009	(25,229)	6,905,953	541,325	359,297	773,955	179,242	1,808,438	10,542,980
2008	2,978,057	8,092,373	2,401,248	1,408,879	3,412,118	7,591,834	-	25,884,509
2007	13,664,518	15,489,637	5,199,992	2,539,844	5,683,715	1,823,671	-	44,401,377
2006	44,901,700	13,209,519	5,933,186	4,274,819	7,393,783	-	-	75,713,007
2005	9,365,576	17,529,161	5,629,172	4,855,415	10,056,148	-	-	47,435,472
2004	7,532,758	5,873,397	3,596,996	5,198,577	2,748,668	527,605	-	25,478,001

TRUCKEE MEADOWS WATER AUTHORITY
GALLONS OF WATER SOLD AND REVENUES BY CATEGORY
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

Category	Fiscal Year Ended June 30, 2013			Fiscal Year Ended June 30, 2012		
	Gallons Sold (000)	Revenue		Gallons Sold (000)	Revenue	
Residential-Unmetered (1)	--(1)	\$ 10,288,324		--(1)	\$ 10,899,330	
Residential Metered	11,916,455	43,957,551		11,077,177	41,476,536	
Commercial	4,083,972	10,885,539		3,902,183	10,473,659	
Other (2)	2,816,474	11,031,924		2,543,132	10,129,233	
Wholesale	1,982,557	3,748,276		1,831,821	3,473,100	
Total	20,799,458	\$ 79,911,614		19,354,313	\$ 76,451,858	
Category	Fiscal Year Ended June 30, 2011			Fiscal Year Ended June 30, 2010		
	Gallons Sold (000)	Revenue		Gallons Sold (000)	Revenue	
Residential-Unmetered (1)	--(1)	\$ 11,611,351		--(1)	\$ 13,115,143	
Residential Metered	10,233,494	37,636,859		9,940,587	35,962,518	
Commercial	3,925,081	10,214,401		4,642,286	10,112,854	
Other (2)	2,279,226	9,007,523		1,858,589	8,894,110	
Wholesale	1,573,720	2,938,106		1,284,293	3,136,081	
Total	18,011,521	\$ 71,408,240		17,725,755	\$ 71,220,706	
Category	Fiscal Year Ended June 30, 2009			Fiscal Year Ended June 30, 2008		
	Gallons Sold (000)	Revenue		Gallons Sold (000)	Revenue	
Residential-Unmetered (1)	--(1)	\$ 14,216,666		--(1)	\$ 15,310,296	
Residential Metered	11,319,330	34,646,185		10,385,949	34,940,141	
Commercial	3,051,746	9,812,718		4,547,882	10,326,007	
Other (2)	3,059,335	8,716,187		2,677,005	8,880,817	
Wholesale	1,659,709	2,833,330		1,763,412	3,228,785	
Total	19,090,120	\$ 70,225,086		19,374,248	\$ 72,686,046	
Category	Fiscal Year Ended June 30, 2007			Fiscal Year Ended June 30, 2006		
	Gallons Sold (000)	Revenue		Gallons Sold (000)	Revenue	
Residential-Unmetered (1)	--(1)	\$ 16,612,009		--(1)	\$ 18,536,414	
Residential Metered	10,219,912	35,085,858		8,695,642	30,513,084	
Commercial	4,397,648	10,415,048		4,365,760	10,302,813	
Other (2)	2,665,330	9,076,013		2,388,314	8,225,084	
Wholesale	1,773,874	3,083,877		1,581,576	2,892,864	
Total	19,056,764	\$ 74,272,805		17,031,292	\$ 70,470,259	
Category	Fiscal Year Ended June 30, 2005			Fiscal Year Ended June 30, 2004		
	Gallons Sold (000)	Revenue		Gallons Sold (000)	Revenue	
Residential-Unmetered (1)	--(1)	\$ 21,383,048		--(1)	\$ 24,406,744	
Residential Metered	7,808,216	26,350,944		7,166,222	22,469,394	
Commercial	4,483,265	10,501,889		4,832,724	10,933,077	
Other (2)	2,448,526	8,185,580		2,869,795	8,582,050	
Wholesale	1,432,520	2,539,129		1,282,857	2,225,690	
Total	16,172,527	\$ 68,960,590		16,151,598	\$ 68,616,955	

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

These accounts include irrigation and fire protection/sprinkler systems located on the premises of residential and commercial customers.

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TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST CUSTOMERS
JUNE 30, 2013
(UNAUDITED)

Customer Name	Water Used (000s Gallons)	Total Revenue	% of Total Water Sales
1 Washoe County	1,514,336	\$ 2,985,196	3.7%
2 Sun Valley	589,940	1,086,130	1.4%
3 Washoe County School District	329,588	893,497	1.1%
4 City of Reno	318,063	1,179,281	1.5%
5 GSR Holdings, LLC	208,100	412,136	0.5%
6 City of Sparks	172,777	572,160	0.7%
7 University of Nevada Reno	163,729	402,263	0.5%
8 Nevada Properties (Peppermill)	159,715	397,813	0.5%
9 Somerset HOA	102,003	343,384	0.4%
10 Prologis	100,710	326,316	0.4%
Totals	<u>3,658,961</u>	<u>\$ 8,598,176</u>	<u>10.7%</u>

City of Reno includes the Reno Housing Authority

TRUCKEE MEADOWS WATER AUTHORITY
DEBT SERVICE COVERAGE RATIOS
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(Amounts in 000's)
(UNAUDITED)

	<u>June 30,</u> <u>2013</u>	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Operating Revenues (1)	\$ 79,912	\$ 76,452	\$ 71,408	\$ 71,221
Nonoperating Revenues (2)	5,665	7,643	7,253	6,669
Gross Revenues	<u>85,577</u>	<u>84,095</u>	<u>78,661</u>	<u>77,890</u>
Operation and Maintenance Expenses (3)	36,672	33,851	32,802	35,979
Contribution to Water Rate Stabilization	0	0	-	-
Taxes other than Income Taxes (4)	429	422	418	419
Total Expenses	<u>37,101</u>	<u>34,273</u>	<u>33,220</u>	<u>36,398</u>
Net Revenues	<u>48,476</u>	<u>49,822</u>	<u>\$ 45,441</u>	<u>\$ 41,492</u>
Senior Lien Annual Debt Service (5)	<u>29,672</u>	<u>21,295</u>	<u>\$ 31,191</u>	<u>\$ 31,124</u>
Senior Lien Debt Coverage excluding SDCs	<u>1.63</u>	<u>2.34</u>	<u>1.46</u>	<u>1.33</u>
System Development Charges (SDCs):				
Developer facility charges	1,048	263	\$ 253	\$ 438
Developer capital contributions - other	470	153	127	185
Senior Lien Debt Coverage including SDCs (6)	<u>1.68</u>	<u>2.36</u>	<u>1.47</u>	<u>1.35</u>

- (1) Includes retail residential, commercial, irrigation water sales and wholesale water sales net of bad debt expense.
- (2) Reflects hydroelectric revenues, other miscellaneous operating revenues from fees and charges as well as gross investment income before reduction by capitalized investment income as required by Financial Accounting Standards Board Pronouncement (FASB) 62.
- (3) Includes water supply, treatment, distribution, hydroelectric power plant maintenance, customer service, water resource planning, conservation programs, administration, and inspection services. Wages and salaries, employee benefits, and services and supplies comprise these expenses.
- (4) The Authority is required to pay property taxes on water rights and storage facilities located in California. During the reported fiscal years, TMWA paid various counties in California for hydroelectric facilities and water storage rights in California.
- (5) The debt service for the fiscal year ended June 30, 2004 was interest only. On July 1, 2005, TMWA paid its first principal payment of \$6,520,000 on the 2001-A & B Series Bonds. This schedule does not include the payments on the DWSRF loan or the tax-exempt commercial paper, which are subordinate to the 2001-A and 2005-A Bonds, and the 2006, 2007 and 2010 Refunding Bonds.
Excludes capitalized interest expense which would reduce total interest expense pursuant to FASB 34
- (6) TMWA's bond covenants require a minimum coverage of 1.25x total principal and interest payments.

In fiscal year 2012, TMWA defeased the remaining 2001A bonds. This resulted in a one time increase in senior lien debt coverage ratio. Without this defeasance, the senior lien debt coverage ration would be 1.52x.

June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004
\$ 70,225	\$ 72,686	\$ 74,272	\$ 70,470	\$ 68,960	\$ 68,617
9,197	13,822	14,451	12,487	8,236	8,876
<u>79,422</u>	<u>86,508</u>	<u>88,723</u>	<u>82,957</u>	<u>77,196</u>	<u>77,493</u>
39,646	39,342	35,855	34,869	32,710	30,632
-	-	-	-	-	1,385
416	432	457	453	442	486
<u>40,062</u>	<u>39,774</u>	<u>36,312</u>	<u>35,322</u>	<u>33,152</u>	<u>32,503</u>
<u>\$ 39,360</u>	<u>\$ 46,734</u>	<u>\$ 52,411</u>	<u>\$ 47,635</u>	<u>\$ 44,044</u>	<u>\$ 44,990</u>
<u>\$ 31,420</u>	<u>\$ 31,427</u>	<u>\$ 33,525</u>	<u>\$ 31,202</u>	<u>\$ 30,114</u>	<u>\$ 23,594</u>
<u>1.25</u>	<u>1.49</u>	<u>1.56</u>	<u>1.53</u>	<u>1.46</u>	<u>1.91</u>
\$ 774	\$ 3,412	\$ 5,684	\$ 7,394	\$ 10,056	\$ 2,749
541	2,401	5,802	6,515	6,219	4,113
<u>1.29</u>	<u>1.67</u>	<u>1.91</u>	<u>1.97</u>	<u>2.00</u>	<u>2.20</u>

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF TOTAL BUILDING PERMITS ISSUED
BY JURISDICTION/MEMBER ENTITY
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Washoe County	1,516	1,578	1,272	1,279	1,586
City of Reno	3,214	2,917	2,919	3,030	3,592
City of Sparks	2,393	2,463	1,763	2,007	2,579
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Washoe County	2,222	2,829	3,492	3,521	3,447
City of Reno	4,744	6,737	9,947	9,335	7,197
City of Sparks	3,636	4,544	6,067	4,974	5,809

Source: As reported by each local governmental entity

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR WASHOE COUNTY
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

Fiscal Year Ended June 30,	POPULATION ⁽¹⁾	PER CAPITA INCOME ⁽²⁾	MEDIAN AGE ⁽³⁾	SCHOOL ENROLLMENT ⁽⁴⁾	TOTAL PERSONAL INCOME ⁽²⁾	UNEMPLOYMENT RATE (PERCENT) ⁽⁵⁾
2013	434,120	47	37.6	62,424	\$18,284,145	9.80%
2012	427,704	45	37.4	62,323	17,849,009	12.3%
2011	421,593	49	37.2	62,324	17,944,975	13.2%
2010	417,379	47	37	62,452	17,421,365	13.6%
2009	416,632	45	36.4	63,310	18,550,337	11.7%
2008	423,833	46	36.5	63,635	19,392,856	6.8%
2007	406,335	44	34.5	63,044	18,378,021	4.5%
2006	398,236	43	36.5	62,390	17,510,758	4.0%
2005	390,863	42	36.1	62,098	16,700,497	3.8%
2004	381,377	41	35.1	60,411	15,532,986	4.2%

Fiscal Year Ended June 30,	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⁾
2013	219,607	\$126,468,377	159	\$5,824,726,136	\$ 741,038,030	3,514,421
2012	221,764	95,875,949	83	5,522,605,351	738,151,877	3,561,557
2011	212,480	67,721,019	55	5,282,935,192	751,466,957	3,795,421
2010	221,954	55,952,010	35	5,176,981,699	788,545,658	3,777,701
2009	224,089	85,657,662	103	5,707,791,051	867,202,273	3,979,015
2008	221,785	202,519,159	240	6,823,701,000	996,615,975	4,841,257
2007	222,610	225,084,828	557	7,202,640,557	1,069,608,365	5,014,382
2006	219,400	307,685,955	851	7,268,593,250	1,072,936,817	5,149,700
2005	212,400	368,356,469	1,113	6,687,446,995	1,016,864,082	5,097,170
2004	208,800	345,640,310	1,009	6,023,436,676	1,011,657,616	4,918,829

Sources:

⁽¹⁾ Nevada State Demographer (adjusted after 2010 census);

⁽²⁾ U.S. Department of Commerce, Bureau of Economic Analysis; 2006 and prior.
As of 2007, Washoe County Community Development Demographic Information

⁽³⁾ Nevada State Demographer 2001-2007; Center for Regional Studies, UNR, 2008-2011

⁽⁴⁾ Washoe County School District

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

⁽⁶⁾ Washoe County Building and Safety Department

⁽⁷⁾ Nevada State Department of Taxation

⁽⁸⁾ Nevada State Gaming Control Board

⁽⁹⁾ Reno/Tahoe International Airport

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**TRUCKEE MEADOWS WATER AUTHORITY
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	December 31, 2013		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Washoe County School District	7,750	1	3.89%
University of Nevada - Reno	4,250	2	2.13%
Renown Regional Medical Center	2,750	3	1.38%
Washoe County	2,250	4	1.13%
Peppermill Hotel-Casino	2,250	5	1.13%
International Game Technology	2,250	6	1.13%
Silver Legacy Resort Casino	1,750	7	0.88%
Atlantis Casino Resort	1,750	8	0.88%
Grand Sierra Resort (Reno Hilton)	1,250	9	0.63%
Eldorado Hotel & Casino	1,250	10	0.63%
Total Washoe Covered Employment	199,079		

	December, 2004		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Washoe County School District	6,750	1	3.45%
University of Nevada - Reno	3,750	2	1.92%
Renown Regional Medical Center	2,250	5	1.15%
Washoe County	2,750	3	1.40%
Peppermill Hotel-Casino	-		
International Game Technology	2,750	4	1.40%
Silver Legacy Resort Casino	2,250	6	1.15%
Atlantis Casino Resort	-		
Grand Sierra Resort (Reno Hilton)	1,750	7	0.89%
Eldorado Hotel & Casino	1,750	8	0.89%
St Mary's	1,750	9	0.89%
Circus Circus	1,750	10	0.89%
Total Washoe Covered Employment	195,813		

Source:

Nevada Revised Statutes Chapter 612 stipulates that actual employment for individual employers may not be published. The Nevada Department of Employment Training and Rehabilitation publishes employee counts in ranges of 500. The number of employees shown are estimated using the midpoint.

In 2007, Washoe Medical Center became Renown Medical Center.

TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS AND WATER SALES BY CATEGORY
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

Customers by Category as of June 30, 2013

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	6,927	7.3%	\$ 10,288,324	12.9%
Residential Metered	75,113	79.3%	43,957,551	55.0%
Commercial and Irrigation	8,702	9.2%	10,885,539	13.6%
Other (2)	3,965	4.2%	11,031,924	13.8%
Wholesale	2	0.0%	3,748,276	4.7%
Total	<u>94,709</u>	<u>100.0%</u>	<u>\$ 79,911,614</u>	<u>100.0%</u>

Customers by Category as of June 30, 2012

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

Customers by Category as of June 30, 2011

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	8,685	9.3%	\$ 11,611,351	16.1%
Residential Metered	72,457	77.3%	37,636,859	52.2%
Commercial and Irrigation	8,564	9.1%	18,557,448	25.8%
Other (2)	4,078	4.3%	1,300,515	1.8%
Wholesale	2	0.0%	2,938,106	4.1%
Total	<u>93,786</u>	<u>100.0%</u>	<u>\$ 72,044,279</u>	<u>100.0%</u>

Customers by Category as of June 30, 2010

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

Customers by Category as of June 30, 2009

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

Customers by Category as of June 30, 2008

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

Customers by Category as of June 30, 2007

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	15,488	16.7%	\$ 16,612,009	22.4%
Residential Metered	65,749	70.9%	35,085,858	47.2%
Commercial and Irrigation	7,966	8.6%	18,602,006	25.0%
Other (2)	3,469	3.7%	889,055	1.2%
Wholesale	7	0.0%	3,083,877	4.2%
Total	<u>92,679</u>	<u>100.0%</u>	<u>\$ 74,272,805</u>	<u>100.0%</u>

Customers by Category as of June 30, 2006

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	16,466	18.0%	\$ 18,536,414	26.3%
Residential Metered	63,744	69.7%	30,513,084	43.3%
Commercial and Irrigation	7,787	8.5%	17,670,604	25.1%
Other (2)	3,407	3.7%	857,293	1.2%
Wholesale	7	0.0%	2,892,864	4.1%
Total	<u>91,411</u>	<u>100.0%</u>	<u>\$ 70,470,259</u>	<u>100.0%</u>

Customers by Category as of June 30, 2005

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	19,945	22.9%	\$ 21,382,048	31.0%
Residential Metered	56,555	64.8%	26,350,944	38.2%
Commercial and Irrigation	5,296	6.1%	18,022,769	26.1%
Other (2)	5,449	6.2%	664,700	1.0%
Wholesale	4	0.0%	2,539,129	3.7%
Total	<u>87,249</u>	<u>100.0%</u>	<u>\$ 68,959,590</u>	<u>100.0%</u>

Customers by Category as of June 30, 2004

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential Unmetered	25,855	30.5%	\$ 24,406,744	35.6%
Residential Metered	48,214	56.9%	22,469,394	32.7%
Commercial and Irrigation	5,276	6.2%	19,055,226	27.8%
Other (2)	5,342	6.3%	459,901	0.7%
Wholesale	4	0.1%	2,225,690	3.2%
Total	<u>84,691</u>	<u>100.0%</u>	<u>\$ 68,616,955</u>	<u>100.0%</u>

(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 private fire protection services located on the premises of commercial and some residential customers

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TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2013
(UNAUDITED)

<u>Coverage</u>	<u>Carrier/Policy</u>	<u>Term</u>	<u>Limits/Deductible</u>
Property/Boiler and Machinery Policy	Lexington Insurance Company	6/11/13 to 6/11/14	Blanket limit of \$287,000,000 per occurrence with sub-limits of \$50,000,000 for earthquake for Earth Movement (excluding CA properties) and \$10,000,000 for flood (excluding Glendale plant). Coverage includes Business Interruption and Extra Expense. Deductibles for flood and earth movement are \$100,000 per occurrence for each location; general policy deductible is \$25,000.
General Liability and Business Automobile Policy	Arch Insurance Company	6/11/13 to 6/11/14	First \$1,000,000 in liability limits. General Liability Aggregate limit of \$3,000,000. General liability deductible of \$25,000 per occurrence. Auto Physical Damage deductible of \$1,000.
Excess Umbrella Liability Policy	Arch Insurance Company	6/11/13 to 6/11/14	\$20,000,000 excess liability limit.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/13 to 6/11/14	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	6/11/13 to 6/11/14	Varies by plan selected

TRUCKEE MEADOWS WATER AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Administration/IT	18	20	22	22
Supply/Treatment Operations	26	27	28	28
Distribution Maintenance	45	44	42	45
Hydroelectric	7	8	7	5
Customer Service/Conservation	26	33	28	41
Water Planning/Resources	15	12	13	14
Engineering/Construction	<u>15</u>	<u>11</u>	<u>14</u>	<u>15</u>
Total Authorized Employees	<u><u>152</u></u>	<u><u>155</u></u>	<u><u>154</u></u>	<u><u>170</u></u>

During fiscal year 2007, the IT/GIS functions were moved to Administration.

<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
25	23	15	12	11	9
32	28	32	34	35	35
45	45	44	43	39	36
6	7	7	7	7	7
42	39	33	31	31	29
11	10	11	10	10	10
17	22	27	27	29	28
<u>178</u>	<u>174</u>	<u>169</u>	<u>164</u>	<u>162</u>	<u>154</u>

TRUCKEE MEADOWS WATER AUTHORITY
CURRENT AND HISTORICAL WATER RATES
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012*</u>	<u>June 30, 2011</u>	<u>June 30, 2010*</u>
Customer Charges By Meter Size				
3/4"	\$ 17.12	\$ 17.12	\$ 15.70	\$ 15.70
1"	18.80	18.80	17.30	17.30
1 1/2"	21.40	21.40	19.60	19.60
2"	24.80	24.80	22.80	22.80
3"	28.20	28.20	25.90	25.90
4"	32.50	32.50	29.80	29.80
6"	37.70	37.70	34.50	34.50
Commodity Charge (all meter sizes)				
Tier 1	1.72	1.72	1.72	1.72
Tier 2	2.78	2.78	2.78	2.78
Tier 3	3.25	3.25	3.25	3.25

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$ 94.10	\$ 94.10	\$ 86.30	\$ 86.30
1"	135.50	135.50	124.30	124.30
1 1/2"	245.60	245.60	225.20	225.20
2"	350.10	350.10	321.00	321.00
3"	439.40	439.40	403.00	403.00
4"	557.10	557.10	510.00	510.00
6"	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service

*TMWA rates took effect on June 11, 2001, and were revised effective October 2003, March 2005, May 2009, May 2010, and February, 2012.

<u>June 30, 2009*</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005*</u>	<u>June 30, 2004*</u>
\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70	\$ 14.80
17.30	17.20	17.20	17.20	17.20	16.30
19.60	19.60	19.60	19.60	19.60	18.50
22.80	22.80	22.80	22.80	22.80	21.50
25.90	25.90	25.90	25.90	25.90	24.40
29.80	29.80	29.80	29.80	29.80	28.10
34.50	34.50	34.50	34.50	34.50	32.60
1.63	1.58	1.58	1.58	1.58	1.56
2.64	2.50	2.50	2.50	2.50	2.43
3.05	2.91	2.91	2.91	2.91	2.90
\$ 84.20	\$ 74.90	\$ 74.90	\$ 74.90	\$ 74.90	\$ 67.50
121.20	106.20	106.20	106.20	106.20	93.50
219.80	184.90	184.90	184.90	184.90	152.60
313.20	264.10	264.10	264.10	264.10	218.90
393.20	331.90	331.90	331.90	331.90	275.00
498.50	420.30	420.30	420.30	420.30	348.30
n/a	n/a	n/a	n/a	n/a	495.30

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED OPERATING AND CAPITAL INDICATORS
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Miles of water mains	1,337	1,352	1,339	1,332
Number of storage tanks	42	42	42	42
Number of Finished Water Storage	2	2	2	2
Number of pump stations	94	95	94	96
Number of wells	32	32	32	32
Treatment capacity (MGD)				
Glendale Plant	37.5	37.5	25	25
Chalk Bluff	95	95	95	95

Notes:

MGD = millions of gallons per day

<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
1,330	1,310	1,258	1,252	1,227	1,175
42	38	37	35	34	34
2	2	2	2	2	2
108	96	97	96	96	95
32	32	33	33	33	32
25	25	25	25	25	25
89	89	89	89	89	89

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF CHANGES IN DEBT
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>Final Maturity</u> <u>Date</u>	<u>Authorized</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2011</u>
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2011	\$ 448,810,000	\$ -	\$ -	\$ 8,810,000
2001B Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2034	3,600,000	-	-	-
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	4,669,565	3,331,277	3,555,620	3,772,931
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	35,620,000	36,415,000	37,180,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	149,140,000	149,485,000	149,815,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	215,745,000	216,185,000	216,605,000
2009 Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2026	3,000,000	2,040,533	2,164,202	2,282,661
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2016	28,240,000	28,240,000	28,240,000	28,240,000
2010 Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	4,381,614	4,381,614	3,921,904
Subtotal			438,498,424	440,426,436	450,627,496
Less: Unamortized net bond discount (premium)			(661,198)	(1,286,806)	(3,440,321)
Total Debt Before Tax Exempt Commercial Paper			439,159,622	441,713,242	454,067,817
Tax-Exempt Commercial Paper		148,600,000	68,000,000	79,400,000	79,400,000
Total Debt			<u>\$ 507,159,622</u>	<u>\$ 521,113,242</u>	<u>\$ 533,467,817</u>

Balance June 30, 2010	Balance June 30, 2009	Balance June 30, 2008	Balance June 30, 2007	Balance June 30, 2006	Balance June 30, 2005	Balance June 30, 2004
\$ 28,590,000	\$ 66,035,000	\$ 73,600,000	\$ 80,795,000	\$ 299,920,000	\$ 448,810,000	\$ 448,810,000
-	-	-	-	-	3,600,000	3,600,000
3,983,431	4,187,333	4,384,844	4,576,165	4,669,565	1,710,236	
37,920,000	38,635,000	39,330,000	40,000,000	40,000,000		
150,135,000	150,445,000	150,745,000	150,745,000	150,745,000		
217,005,000	217,385,000	217,745,000	218,975,000			
2,309,945						
28,240,000						
201,110						
468,384,486	476,687,333	485,804,844	495,091,165	495,334,565	454,120,236	452,410,000
(4,371,510)	(2,267,963)	(2,672,587)	(3,077,212)	3,042,065	4,219,184	4,364,941
472,755,996	478,955,296	488,477,431	498,168,377	492,292,500	449,901,052	448,045,059
68,000,000	68,000,000	68,000,000	43,000,000	-	-	-
<u>\$ 540,755,996</u>	<u>\$ 546,955,296</u>	<u>\$ 556,477,431</u>	<u>\$ 541,168,377</u>	<u>\$ 492,292,500</u>	<u>\$ 449,901,052</u>	<u>\$ 448,045,059</u>

TRUCKEE MEADOWS WATER AUTHORITY
DEBT BY SERVICE CONNECTION
FOR FISCAL YEARS ENDED JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, AND 2004
(UNAUDITED)

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Total Debt	\$ 506,498,424	\$ 519,826,436	\$ 530,027,496	\$ 536,384,486
Total Service Connections	<u>88,268</u>	<u>87,464</u>	<u>87,013</u>	<u>86,781</u>
Debt per Service Connection	<u>\$ 5,738</u>	<u>\$ 5,943</u>	<u>\$ 6,091</u>	<u>\$ 6,181</u>

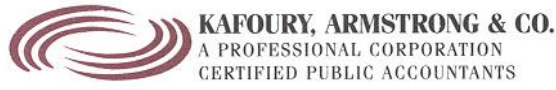
NOTE: Service Connections include residential and commercial connections only. Irrigation, fire protection and wholesale connections have been excluded.

<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
\$ 544,687,333	\$ 553,804,844	\$ 538,091,165	\$ 495,334,565	\$ 454,120,236	\$ 452,410,000
<u>86,948</u>	<u>87,163</u>	<u>86,986</u>	<u>84,055</u>	<u>80,882</u>	<u>78,200</u>
<u>\$ 6,265</u>	<u>\$ 6,354</u>	<u>\$ 6,186</u>	<u>\$ 5,893</u>	<u>\$ 5,615</u>	<u>\$ 5,785</u>

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COMPLIANCE SECTION

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**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 of the
Truckee Meadows Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered TMWA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TMWA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TMWA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMWA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Reno, Nevada
November 20, 2013

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

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

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

TMWA conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2013.

PRIOR YEAR RECOMMENDATIONS

There were no recommendations made in the audit report for the year ended June 30, 2012.

CURRENT YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2013.

