



**NEVADA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2015**

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



Introductory Section	
Letter of Transmittal .....	1
List of Principal Officials.....	13
Organizational Chart.....	14
Certificate of Achievement for Excellence in Financial Reporting .....	15
Independent Auditor’s Report.....	16
Management’s Discussion and Analysis.....	19
Basic Financial Statements	
Statement of Net Position .....	29
Statement of Revenues, Expenses, and Changes in Net Position .....	31
Statement of Cash Flows .....	32
Notes to Financial Statements.....	34
Required Supplementary Information	
Schedule of Funding Progress – Other Postemployment Benefit Plans .....	65
Schedule of TMWA’s Share of Net Pension Liability.....	66
Schedule of TMWA Contributions .....	67
Supplementary Information	
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual.....	68
Statistical Section	
Schedule No. 1 – Net Position by Component.....	69
Schedule No. 2 – Changes in Net Position .....	70
Schedule No. 3 – Operating Revenues by Customer Class .....	71
Schedule No. 4 – Operating Expenses .....	72
Schedule No. 5 – Nonoperating Revenues and Expenses.....	73
Schedule No. 6 – Capital Contributions by Source.....	74
Schedule No. 7 – Gallons of Water Sold and Revenues by Category .....	75
Schedule No. 8 – Ten Largest Customers.....	76
Schedule No. 9 – Debt Service Coverage Ratios.....	77
Schedule No. 10 – Schedule of Total Building Permits Issued .....	78
Schedule No. 11 – Selected Demographic and Economic Statistics .....	79
Schedule No. 12 – Principal Employers .....	80
Schedule No. 13 – Customer and Water Sales by Category .....	81
Schedule No. 14 – Schedule of Insurance Coverage .....	82
Schedule No. 15 – Number of Employees by Identifiable Activity.....	83
Schedule No. 16 – Current and Historical Water Rates.....	84
Schedule No. 17 – Selected Operating and Capital Indicators .....	85
Schedule No. 18 – Schedule of Changes in Debt .....	86
Schedule No. 19 – Debt by Service Connection.....	87
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	88
Schedule of Findings and Responses.....	90
Auditor’s Comments.....	91



January 7, 2016

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, 2015. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

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

The CAFR consists of four sections:

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

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

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

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

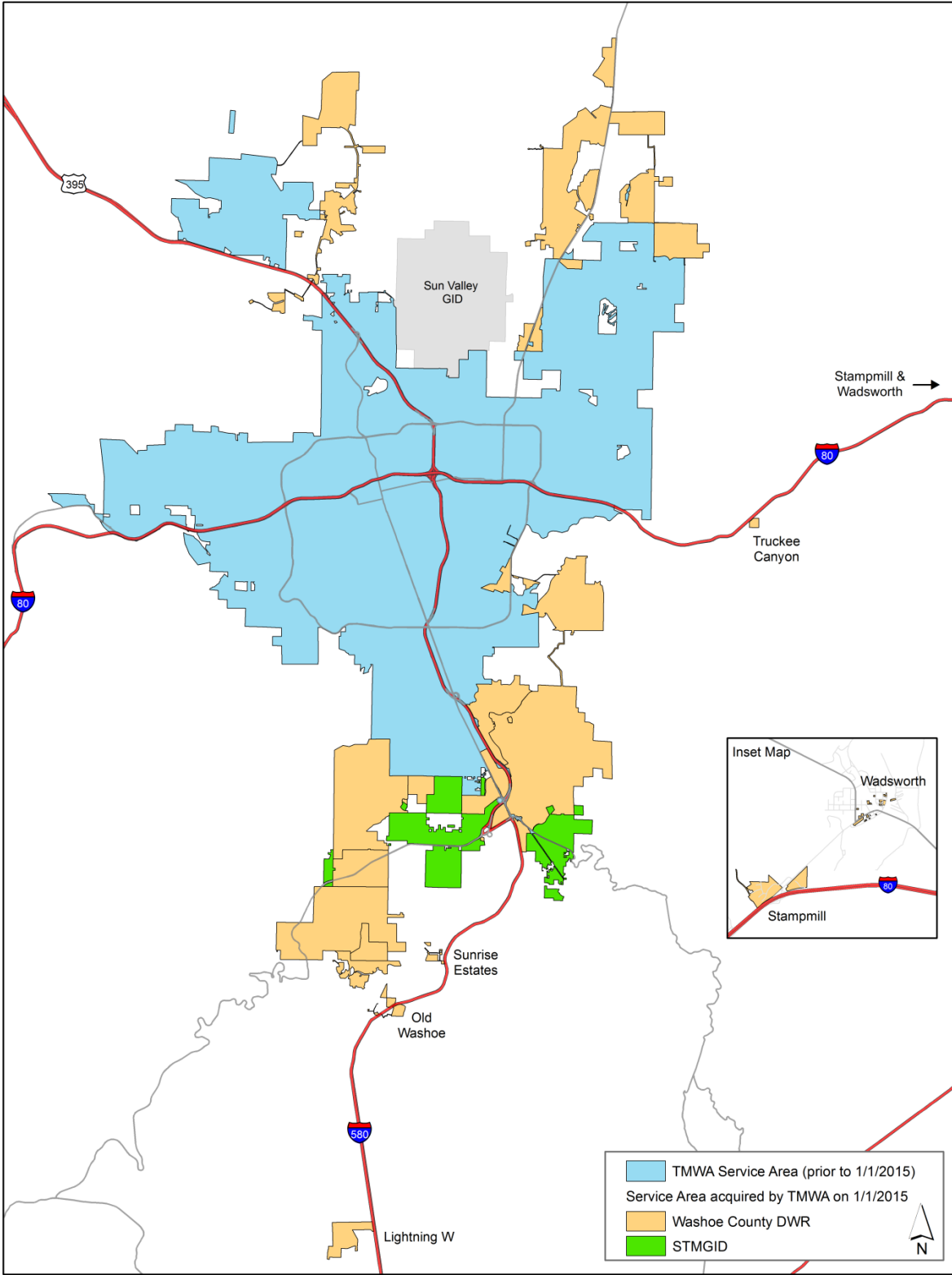
## **REPORTING ENTITY**

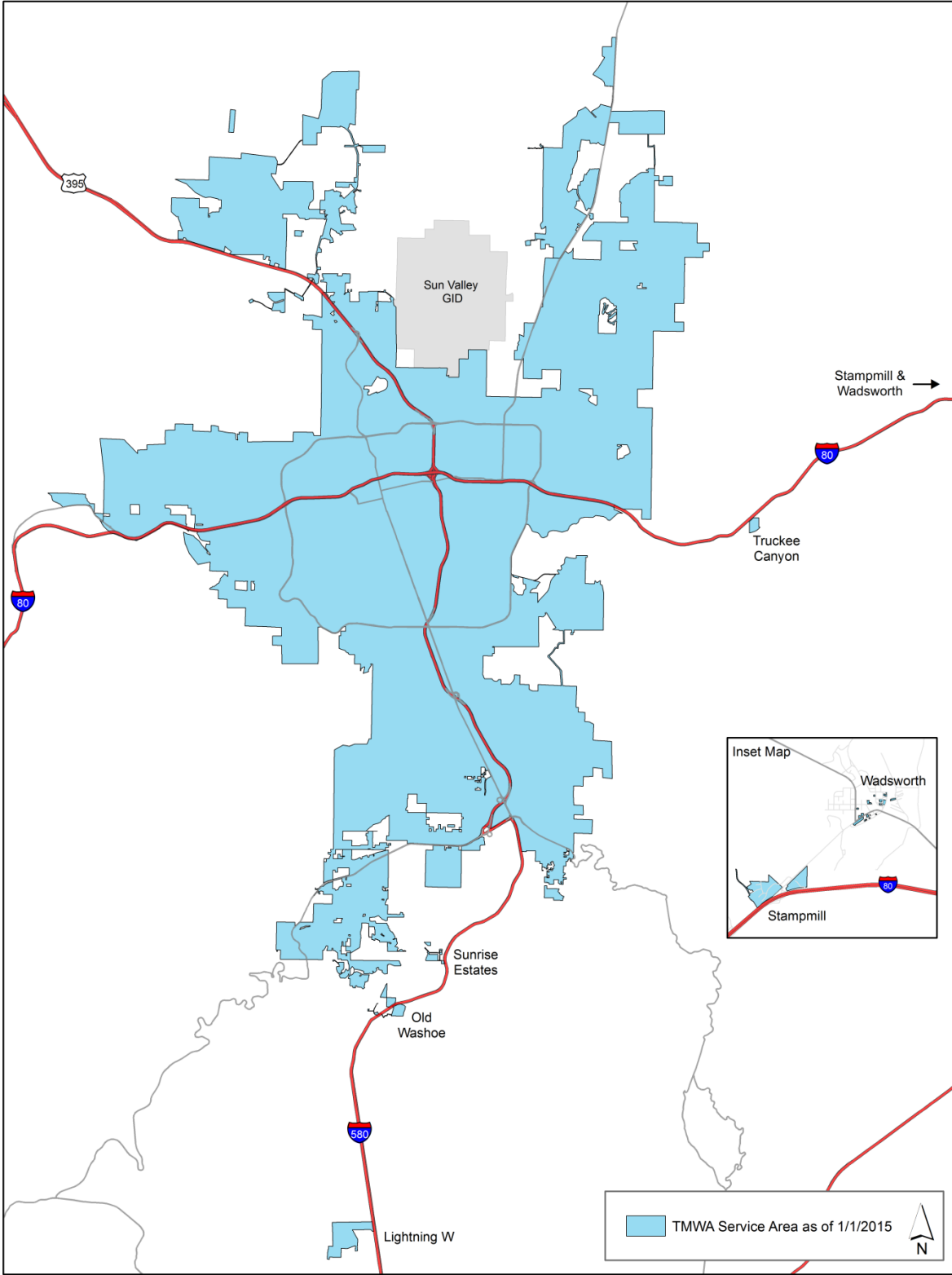
TMWA was formed as a Joint Powers Authority (JPA) pursuant to Chapter 277 of the Nevada Revised Statutes and is a political subdivision of the State of Nevada. TMWA is separate from its member agencies: City of Reno, City of Sparks and Washoe County. TMWA was formed in November 2000 for the purpose of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

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

TMWA provided treated water formerly to two wholesale customers and had approximately 94,000 residential, commercial, irrigation and fire service connections in the Reno-Sparks metropolitan area prior to the water utility consolidation. Post water utility-consolidation TMWA has over 120,000 service connections and one wholesale customer. TMWA previously operated in a prescribed retail service area as described in the agreement between SPPCo and Washoe County dated June 25, 1996, as amended, but now operates within the Truckee Meadows Service Area (TMSA) after the water utility consolidation. TMWA has only one wholesale customer, the Sun Valley General Improvement District (SVGID) located north of the Reno-Sparks main metropolitan area. SVGID is wholly dependent upon TMWA water deliveries since this district has no source of water supply. There is one water delivery contract associated with this wholesale connection.

The following maps reflect the water system prior to and after the water utility consolidation.

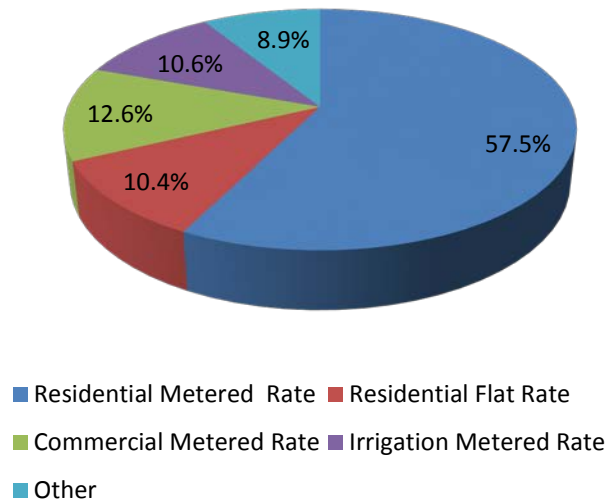




Nevada Revised Statutes require that an independent certified public accounting firm selected by the Board of Directors audit TMWA’s financial statements on an annual basis. The independent auditor’s report for the fiscal year ended June 30, 2015 is presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 and Public Investments as embodied in Chapter 355 of the Nevada Revised Statutes.

The following graph depicts the proportion of operating revenues by class for fiscal year 2015:

**TMWA Operating Revenues \$90.0 Million**



The metering of the water system, which began under Sierra Pacific in 1995, presents various operational solutions for TMWA. These solutions present the opportunity to collect accurate data on water usage by customer class. This allows TMWA to make more accurate cost of service analyses, to make water rates more equitable across customer classes, and to better anticipate future water resource and water facility requirements. There were still approximately 4,300 customers who continued to pay the flat rate but the TMWA Board mandated that essentially all remaining flat rate customers be converted to a metered rate with the first billing cycle of October 2015 which took place. 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, it is recognized that any system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use. Also in front of the continuing drought facing the region the final conversion of flat rate customers to metered billing was essential.

TMWA honored a 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 development 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 second phase was approximately 3.4% and implemented in February of 2014 with deferral of the third phase rate increase to a future date. The third rate increase was not implemented and would have occurred prior to the consolidation of the water utilities. A decision was made to review potential rate adjustments after one year of consolidated water utility operations.

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 water system infrastructure in a prudent manner and insure that TMWA's bondholders are adequately protected. There are no other restrictions, commitments, or other limitations that would restrict the unrestricted cash assets for use in meeting TMWA's obligations. TMWA's senior lien coverage (excluding developer fees and charges) was approximately 1.64x and with certain developer fees and charges was approximately 1.78x as of June 30, 2015.

## **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 dipped significantly in fiscal years 2009 through 2011 when compared to the prior years. Fiscal years 2012 through 2015 saw a slight but accelerating increase in taxable sales when compared to prior years. 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 experienced a very challenging recession although there has been a modest improvement in the local economy in fiscal year 2015 with the return of meaningful residential construction activity.

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. The plan has been updated during fiscal year 2015 and into fiscal year 2016 for the 2015-2035 planning period. This extensive plan document addresses current water resources, future water resources, and water rights availability as well as defined drought standards which conclude that TMWA can utilize the aforementioned water resources to meet incremental water demands required by growth for the next twenty years. The focal point of the WRP is the population and water demand forecasts for the TMWA consolidated water utility service territory.

Historically, to complement this water resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2010-2030 was developed. The original WFP was adopted by the TMWA Board in December of 2004. The WFP evaluates the infrastructure required to supply, treat and deliver water to customers over the life of the plan and determines infrastructure requirements in Capital Improvement Plan needs to serve growth based upon population and water demand forecasts in the WRP. The 2015-2035 WFP is currently being developed based on water demand projections defined in the 2015-2035 WRP. For fiscal year 2015, TMWA's Board approved a 2016-2020 Capital Improvement Plan with a five year spending level of \$167.1 million which focuses spending primarily on water system reconstruction. Spending on the acquisition of water rights has been essentially suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments for the foreseeable future, although opportunistic purchases will be considered.

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

The drought that has affected the Western United States has also affected Western Nevada. TMWA's drought plan anticipates water demand management in these persistent dry periods and asked customers to voluntarily reduce water demand by at least 10% during the entire irrigation season of 2015. The community responded and delivered demand reductions in excess of 10%

which has allowed TMWA to hold back the Privately Owned Stored Water (POSW) in Independence Lake. This lake is a major component of drought storage (17,000+ acre feet of water) in TMWA's overall drought plan and this water will be available for the next irrigation season should drought conditions persist. To further drought resiliency for the community that TMWA serves, TMWA will construct the North Valley's Integration Project which will tie in the Fish Springs Ranch infrastructure into TMWA's North Valleys water system providing access to approximately 8,000 acre feet of groundwater resources in the Honey Lake ground water basin which is located approximately 35 miles north of the Reno-Sparks metropolitan area.

When combining TMWA's existing POSW surface water resources, the groundwater resources of the Honey Lake basin, the extensive drought storage benefits of TROA and the expansion of Aquifer Storage and Recovery (ASR) groundwater recharge efforts, the TMWA service area will benefit significantly from a drought resiliency standpoint.

## **WATER QUALITY**

TMWA's highest priority is the protection of public health through modern water treatment techniques and water quality monitoring efforts. TMWA's primary source of water is the Truckee River, which sources at Lake Tahoe and other tributaries to the Truckee River, travels into Nevada through the Reno-Sparks Metropolitan area with the terminus of the river at Pyramid Lake, a distance of approximately 120-miles. The river's water quality is excellent; however additional steps are taken to purify the water to meet safe drinking water standards that were set forth by the United States Department of Environmental Protection in the early 1990's. TMWA owns and operates the 84 million gallons per day (MGD) Chalk Bluff Water Treatment Plant (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. Attesting to TMWA's commitment to the protection of public health, TMWA's Chalk Bluff Water Treatment Plant received the President's Award from the Partnership for Safe Water. This prestigious recognition places the Chalk Bluff plant as one of 18 surface water treatment plants in the United States that have been so recognized. This recognition exemplifies TMWA staff's experience, passion, and commitment to producing and delivering outstanding water quality to customers.

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

## **WATER CONSERVATION**

Water conservation has been and will continually be a high priority at TMWA. Prudent use of the area's water resources extends this vital resource through periods of dry weather patterns in this high desert climate. These conservation efforts also reduce or defer further investments in expensive new plant infrastructure which moderates the fiscal impact on water rates. The purpose of water conservation at TMWA is to promote wise use of water through a number of

initiatives. TMWA's conservation programs were designed to achieve 10% annual water savings as part of the conservation goal agreed to in the 1996 Water Conservation Agreement between TMWA's predecessor SPPCo, the Pyramid Lake Paiute Tribe, and the United States. The backbone of water conservation in the Truckee Meadows has been the Water Meter Retrofit Program. With the success of that program the final conversion of flat rate customers to metered billing occurred in October of 2015 resulting in all TMWA and former Washoe County customers paying for the water they use.

### **The Water Meter Retrofit Program**

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

### **Assigned Day Watering**

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

## **FINANCIAL INFORMATION**

### **Internal Controls**

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

### **Budgetary Controls**

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

For purposes of the following discussion, the brief discussion of financial results is presented on a consolidated water utility basis. At various times the original TMWA budget adopted in May 2014 was augmented to accommodate the consolidation of the Washoe County water utility and the South Truckee Meadows General Improvement District financials activities and net position. TMWA has essentially met or delivered better than expected financial results relative to the consolidated water utility budget.

Actual total operating water revenues were \$0.2 million or 0.2% under budget for fiscal year ended June 30, 2015. Total budgeted revenues were \$90.2 million as compared to \$90.0 million

in actual revenue. Charges for water sales were \$0.5 million above budget, while hydroelectric revenues were nearly \$0.9 million under budget. Other operating sales were \$0.2 million above budget. TMWA water sales benefited from increased demands as a result of the warmer weather patterns in the early spring period but were mitigated with the board approved drought plan put into effect in the May of fiscal year 2015 that promoted water demand controls.

Total operating expenses of \$70.1 million were approximately \$6.0 million under the budget of \$76.1 million. Less than planned cash operating expenses of \$3.2 million were augmented by \$2.8 million in less than planned depreciation expense. Operating expenses net of depreciation were \$3.1 million under budget primarily due to lower spending on salaries and wages, and employee benefits. Service and supplies expenses were \$0.7 million under budget and due to extending power management practices to the consolidated water systems. Spending on operating salaries and wages was \$0.9 million less than budget, while employee benefit spending was \$1.5 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 the effect of vacant positions, in addition to the effects of adopting GASB No. 68. Spending on services and supplies expenses was \$23.2 million, about \$0.7 million under budget.

Total net nonoperating expenses, including investment income, were \$2.9 million more than budget. This negative variance was primarily due to losses on disposal of a well facility in STMGID that was carried over to TMWA and slightly higher bond issuance expenses related to very successful bond defeasance activities. Investment income and decrease in fair value of investments, after capitalization of investment income, was \$0.3 million under budget. This was due to postponing investment of transferred cash from the consolidated water utilities until the TMWA Board approved the 2016-2020 Capital Improvement Plan which provides the basis for laddering investments.

Capital contributions of \$19.3 million were \$5.9 million above budget. All areas of capital contributions contributed to this favorable variance. Cash contributions were \$4.3 million greater than budget and were attributable to increasing levels of residential construction activity as the local economy improves.

Total revised capital spending was approximately \$25.4 million for fiscal year 2015, which was approximately \$4.8 million less than the \$30.2 million planned in the augmented capital budget.

As reflected in the Statement of Cash Flows, TMWA funded the operating budget, debt service requirements and capital spending from operating revenues, capital contributions and investment income. As of June 30, 2015, TMWA has approximately \$105.0 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complied with bond covenants during fiscal year 2015 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 \$7.6 million as of June 30, 2015. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million included as a reservation of unrestricted net position.

## **TMWA MILESTONES**

TMWA, now in its fourteenth 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). Two rating agencies continued to maintain a stable outlook for TMWA while one rating agency placed a positive outlook on TMWA.

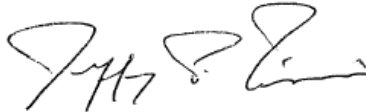
During fiscal year 2014 TMWA staff recommended to the TMWA Board to proceed with the consolidation of TMWA (approximately 94,000 service connections), Washoe County Department of Community Services' water division (approximately 19,500 service connections ) and the South Truckee Meadows General Improvement District, STMGID, (approximately 3,800 service connections). During fiscal year 2015 TMWA proceeded aggressively with the various tasks to complete the water utility consolidation with an effective date of December 31, 2014. The consolidation efforts were both operationally and financially accomplished in a successful manner.

## **ACKNOWLEDGEMENTS**

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



Mark Foree, P.E.  
General Manager



Jeffrey P. Tissier CPA  
Chief Financial Officer

**Truckee Meadows Water Authority  
List of Principal Officials  
June 30, 2015**

**TMWA Board of Directors**

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

Neoma Jardon, City of Reno Council Member, Vice Chair

Jenny Brekhus, City of Reno Council Member

Naomi Duerr, City of Reno Council Member

Vaughn Hartung, Washoe County Commissioner

Jeanne Herman, Washoe County Commissioner

Ron Smith, Sparks Council Member

**Management**

Mark Foree, PE, General Manager

Scott Estes, PE, Director of Engineering

Mike Pagni, General Counsel

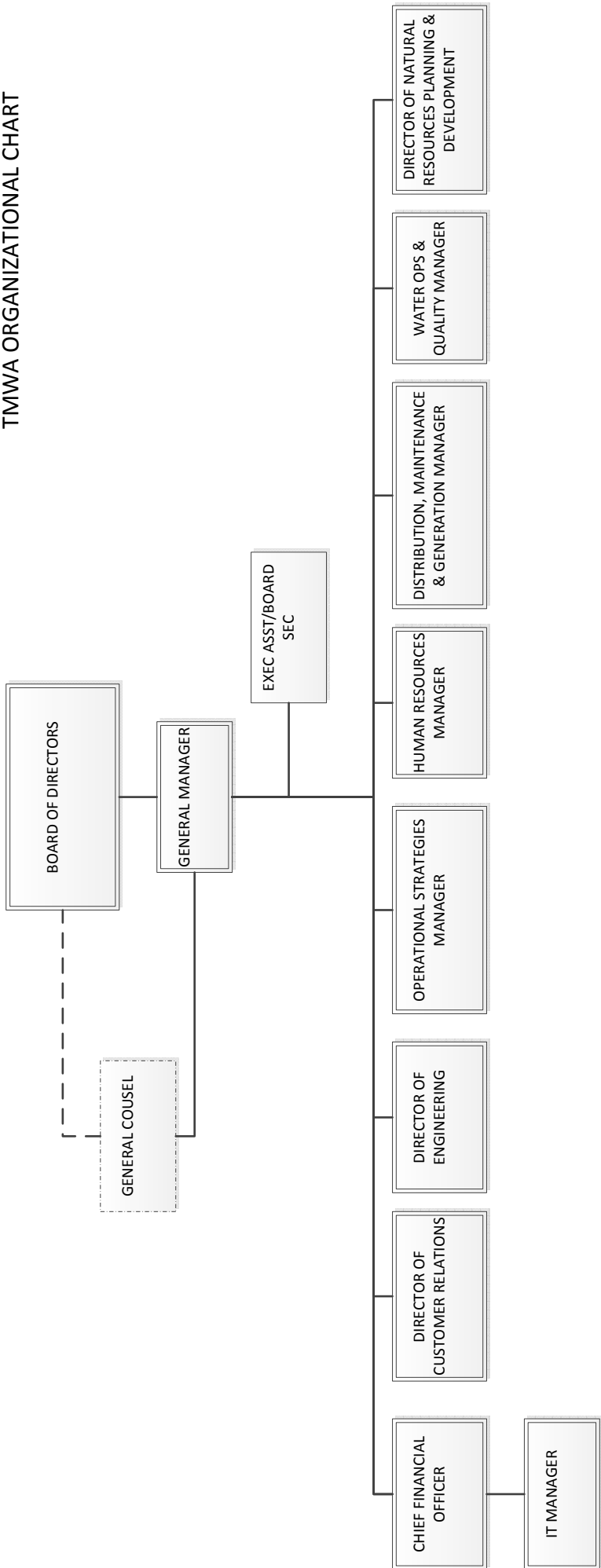
John Erwin, Director of Natural Resources Planning and Development

Kim Mazeres, Director of Customer Relations

Jeffrey Tissier, CPA, Chief Financial Officer



TMWA ORGANIZATIONAL 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, 2014**

Executive Director/CEO

This page intentionally left blank.



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying statement of net position of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA), as of June 30, 2015 and the related statement of revenues, expenses and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements.

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

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

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



## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 and Note 10 to the financial statements, TMWA has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of TMWA's net position as of July 1, 2014. Our opinion has not been modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 12 to the financial statements, TMWA merged in the South Truckee Meadows General Improvement District (STMGID) and the operations of the Washoe County Water Utility (WCWU) were transferred to TMWA during the year ended June 30, 2015. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, TMWA's net position was restated as of July 1, 2014 to reflect the merger of STMGID and TMWA's statement of revenues, expenses and changes in net position includes a special item to denote the net position of the WCWU transferred to TMWA. Our opinion has not been modified with respect to this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 19-28 and the schedule of funding progress – other postemployment benefit plans on page 65, the schedule of TMWA's share of net pension liability on page 66 and the schedule of TMWA's contributions on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMWA's basic financial statements. The introductory section, the schedule 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 schedule of revenues, expenses and changes in net position – budget and actual is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional



procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses and changes in net position – budget and actual is 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 January 7, 2016, 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.

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

Reno, Nevada  
January 7, 2016



## 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, 2015, and June 30, 2014. 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 2015 reflects the adoption of Government Accounting Standards Board Statement (GASB) 68, "Accounting and Financial Reporting for Pensions" and the adoption of GASB 69, "Government Combinations and Disposals of Government Operations".

The adoption of GASB 68 by TMWA resulted in the recognition of a net pension liability of \$22.3 million with associated deferred outflows of resources of \$3.8 million and deferred inflows of resources of \$5.7 million. Adoption of GASB 69 as a result of the transfer of operations of the Washoe County Water Utility (WCWU) and the merger of the South Truckee Meadows General Improvement District (STMGID) into TMWA, had a material impact on TMWA's financial statements. These financial items are described in this section and also in the notes to the financial statements. The assets and liabilities and net position of the WCWU transfer of operations were measured and incorporated in TMWA's financial statements as of January 1, 2015, with operating and non-operating revenues and expenses accounted for prospectively from that date. The asset, liabilities and net position of the STMGID combination were measured as of July 1, 2014 and the entire fiscal year of operating and non-operating revenues and expenses were accounted for in TMWA's financial statements from that date.

### FINANCIAL HIGHLIGHTS

#### TMWA's Net Position (in millions)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Unrestricted Current Assets	\$ 130.2	\$ 78.7
Restricted Current Assets	22.4	22.6
Long-Term Restricted and Other Assets	69.1	51.5
Capital Assets, net	905.6	666.8
<b>Total Assets</b>	<b>1,127.3</b>	<b>819.6</b>
Deferred Outflow of Resources	9.2	7.1
Total Assets & Deferred Outflow of Resources	1,136.5	826.7
Long Term Debt Outstanding	410.8	415.3
Long Term Liabilities-Other	22.3	-
Total Current Liabilities	133.8	99.8
Total Liabilities	566.9	515.1
Deferred Inflow of Resources	5.7	-
Net Investment in Capital Assets	444.4	230.3
Restricted	42.2	25.2
Unrestricted	77.3	56.1
Total Net Position	<u>\$ 563.9</u>	<u>\$ 311.6</u>

In the fiscal year ended June 30, 2015, total net position increased by approximately \$252.3 million, the result of the additions of the WCWU and STMGID net positions into TMWA's, as well as greater capital contributions offsetting less operating income and greater net nonoperating expenses. In addition as a result of adoption of GASB 68 the net position of TMWA as of June 30, 2014 was reduced by net \$25.0 million which was comprised of the \$28.1million in TMWA's proportionate share of net pension liability allocated to TMWA by NVPERS offset by \$3.1 million related to contributions made during the year ended June 30, 2014 (refer to Note 14). At June 30, 2015, total Unrestricted Current Assets increased by approximately \$51.5 million from June 30, 2014. The overall increase was due to an increase in unrestricted cash of \$41.7 million, a \$0.3 million increase in accounts receivable, a \$9.3 million increase in due from other governments, a \$0.2 million increase in interest receivable, an increase of \$0.3 million in prepaid assets offset by \$0.4 million decrease in due from others. The increase in unrestricted cash was primarily due to the transfer of WCWU cash as a result of the transfer of operations. Cash flow from operations and increased cash capital contributions were sufficient to cover cash operating expenses, debt service requirements, capital spending and expenses related to the additions of the WCWU and STMGID into TMWA. Accounts receivable increased slightly due to slightly greater year end water sales, as a result of the transfer of operations and the merger, offset by the call for voluntary reduction in water demands, due to the extended drought. The increase in due from other governments was the result of remaining treasury to be transferred from WCWU and STMGID, offset from collection of various balances due from local governments as of June 30, 2014. Due from others decreased because of minimal hydroelectric generation from low river flows related to the extended drought.

At June 30, 2015, total Restricted Current Assets decreased by approximately \$0.2 million from June 30, 2014. This overall decrease was due to an increase of \$0.9 million in water meter retrofit fund cash and a decrease in current bond debt service for \$1.1 million. The decrease in current bond debt service was due to a one year spike in the prior year for principal payments on refunding obligations.

At June 30, 2015, Noncurrent Restricted and Other Assets increased from fiscal year 2014 by \$17.6 million. This was due to an increase in the renewal and replacement reserve of \$15.7 million from the restriction of the STMGID cash to be used for rehabilitation on the former STMGID service area. An increase of \$1.2 million in the operations and maintenance reserve was due to an increase in the operating expense budget as a result of merged water utility operations, a \$0.2 million increase in future bond debt service from the assumption of debt from WCWU offset by reductions in this reserve due to economically successful refunding activities on the WCWU's Series 2005 GO Revenue Bonds and TMWA's own Series 2005A Revenue Bonds. Deferred charges and other assets increased by a net \$0.4 million as a result of TMWA assuming operations over a small water user association, paying off their Drinking Water State Revolving Fund (DWSRF) Loan for \$0.6 million and characterizing this loan as secured short and long term loan receivables from the property owners of the water user association. The increase of the other assets as a result of the aforementioned loan characterization was offset by amortization of \$0.1 million of deferred prepaid bond insurance.

As of June 30, 2015 Deferred Outflow Of Resources increased by \$2.1 million due to the amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings of \$1.7

million offset by the recordation of \$3.8 million in deferred outflows of resources related to the adoption of GASB 68.

Capital assets net of accumulated depreciation increased by a net \$238.8 million from June 30, 2014 to June 30, 2015. Total net asset additions of \$338.9 million were offset by net increase in accumulated depreciation of \$100.1 million. The change in capital assets is the result of the addition of the WCWU and STMGID, as well as changes in capital assets due to construction activities and capital outlays for the fiscal year 2015. With respect to the transfer of operations and the merger of the water utilities, a total of \$313.9 million in capital assets were transferred, with related accumulated depreciation of \$75.1 million. WCWU transferred to TMWA \$286.0 million in capital assets and \$60.3 million of related accumulated depreciation. STMGID transferred to TMWA \$27.9 million in capital assets and \$14.8 million in related accumulated depreciation. During the fiscal year, TMWA constructed or purchased capital assets in the amount of \$29.0 million and recorded depreciation expense of \$27.9 million. Total asset disposals were \$4.0 million, with related accumulated depreciation of \$2.9 million. Of the total capital assets transferred to TMWA as a result of the transfer of operations and the merger, \$8.1 million were capital assets that are not depreciated and constituted land transfers.

At June 30, 2015, total long term liabilities- pensions increased by \$22.3 million from June 30, 2014. This increase was solely due to the adoption of GASB 68 and is TMWA's proportionate share of the net unfunded actuarial accrued liability of the Public Employees Retirement System of Nevada (NVPERS).

At June 30, 2015, total current liabilities increased \$34.0 million from June 30, 2014. The overall increase was due to an increase of \$35.0 million in the current liabilities payable from unrestricted assets offset by a \$1.0 million decrease in current liabilities payable from restricted assets. The \$35.0 million increase in current liabilities payable from restricted assets was due to a issuance of \$27.0 million in tax-exempt commercial paper notes to defease the WCWU water bond obligations and increase of \$0.8 million in short term loan requirements as a result of TMWA assuming the \$9.1 million DWSRF loan from the WCWU. The remaining increase in current liabilities payable from unrestricted assets of \$7.2 million was due to an increase of \$2.9 million in accounts payable, of \$0.9 million in contracts and retention payable, \$1.0 million in accrued liabilities, \$1.0 million in due to other governments, \$0.1 million increase in interest payable and \$1.3 million increase in customer and developer deposits. The decrease in current liabilities payable from restricted assets was due to \$0.9 million less principal payments and \$0.1 million less in interest payments. Increase in accounts payable is due to increasing payment activity due to merged water operations. The increase in contracts and retention payable is due to increased construction activity year over year. The increase in due to other governments is due payments due to the City of Reno and Sparks for construction contracts TMWA participates with and an increase in fees for the Western Regional Water Commission, as a result of adding service connections from the additions of the WCWU and STMGID water utilities. The increase in accrued liabilities is largely due to accrued wages and salaries, due to the increase in staffing as well as associated compensated absences. The increase in interest payable is due to the assumption of the \$9.1 million DWSRF loan from the WCWU. The increase in customer and developer deposits is due to TMWA assuming certain due to developer liabilities from the WCWU and increased customer deposits as a result of adding the service connections from the WCWU and STMGID.

**TMWA's Changes in Net Position**  
(in millions)

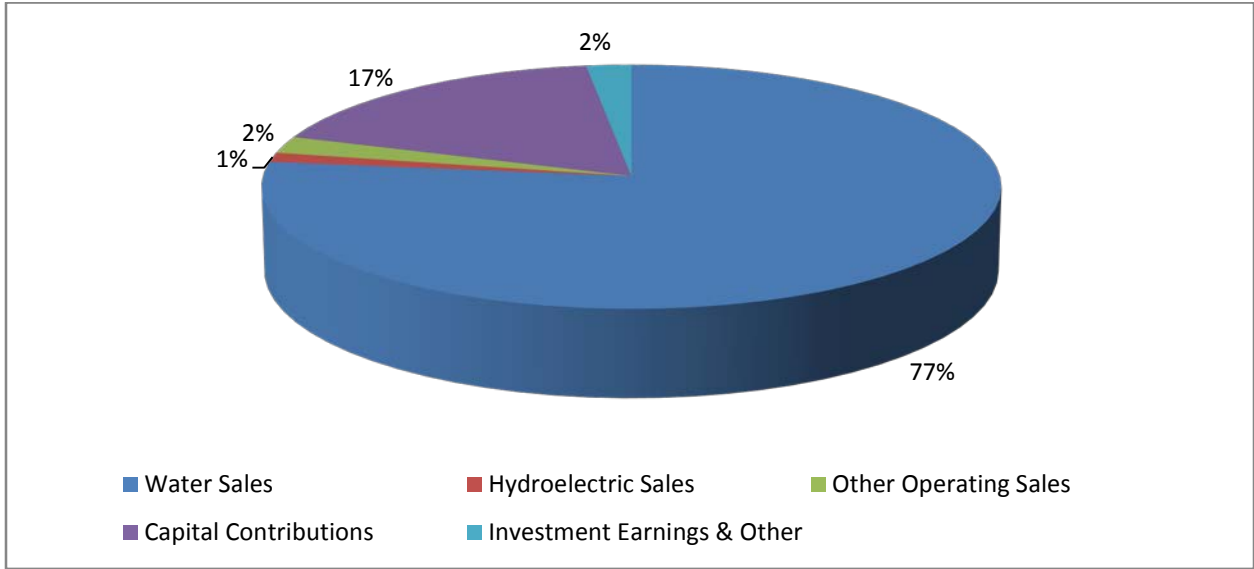
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenues	\$ 90.0	\$ 84.3
Operating Expenses	70.1	59.3
Operating Income	<u>19.9</u>	<u>25.0</u>
Nonoperating Revenues (Expenses) net	<u>(23.5)</u>	<u>(20.4)</u>
Income before Capital Contributions	(3.6)	4.6
Capital Contributions	19.6	5.5
Special Item - WCWU transfer of operations	231.5	-
Change in Net Position	<u>247.5</u>	<u>10.1</u>
Net Position - BOY, as previously reported	311.6	301.5
Prior period adjustment for GASB 68	(24.9)	-
Prior period adjustment for STMGID merger	29.7	-
Net Position - BOY, as restated	<u>316.4</u>	<u>301.5</u>
Net Position - EOY	<u>\$ 563.9</u>	<u>\$ 311.6</u>

**TMWA's Revenues**  
(In millions)

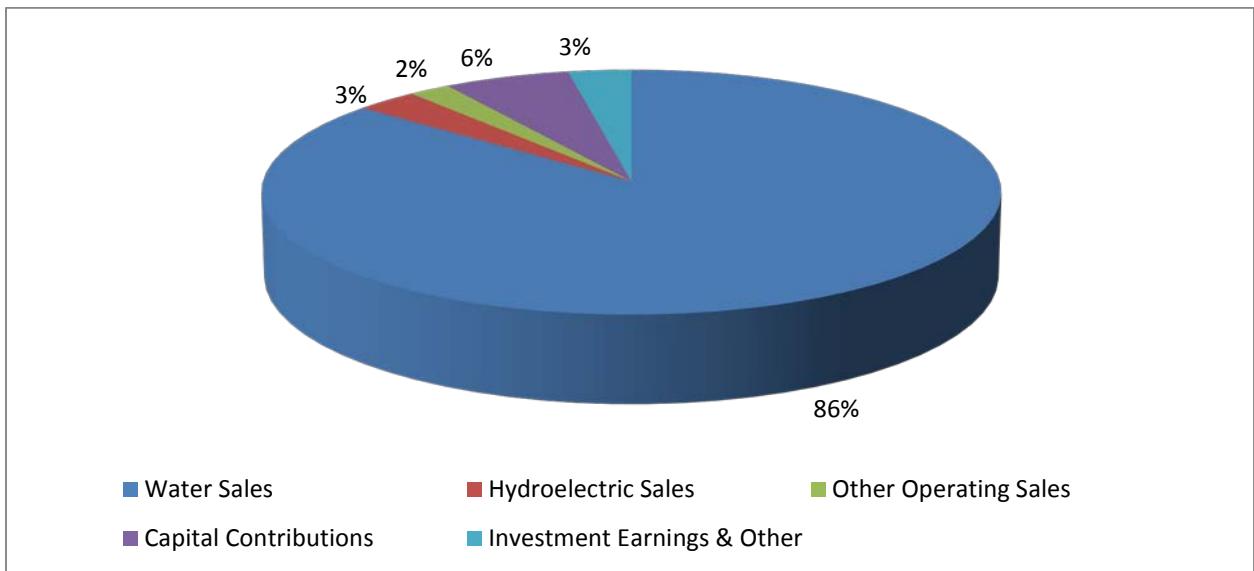
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues		
Operating Revenues		
Water Sales	\$ 86.2	\$ 79.2
Hydroelectric Sales	1.4	3.0
Other Operating Sales	2.5	2.1
	<u>90.0</u>	<u>84.3</u>
Nonoperating Revenues		
Investment Earnings	2.1	2.1
Other	0.3	0.1
	<u>2.4</u>	<u>2.2</u>
Capital Contributions	<u>19.6</u>	<u>5.5</u>
<b>Total Revenues</b>	<u>\$ 112.0</u>	<u>\$ 92.0</u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2015, and 2014:

**Total Revenues for the Year Ended June 30, 2015**



**Total Revenues for the Year Ended June 30, 2014**



For fiscal year 2015, total operating revenues increased \$5.7 million from fiscal year 2014. Of this total water sales accounted for a \$7.0 million increase in operating revenues, hydroelectric sales reduced total operating revenues by \$1.6 million and other miscellaneous sales were \$0.3 million greater than the previous year.

Water sales in fiscal year 2015 were \$86.2 million, \$7.0 million or 8.8% greater than in fiscal year 2014. Less water demands at TMWA lead to a decrease of approximately \$2.5 million as a result of instituting conservation measures due to the persistent drought. Offsetting this decrease was the addition of \$9.5 million in incremental water sale revenues as a result of merging the WCWU and STMGID into TMWA. Of the total \$9.5 million in incremental water sale revenues as a result of the merger, \$7.1 million is attributable to the WCWU merger and \$2.4 million attributable to the STMGID merger. Hydroelectric revenues decreased to \$1.4 million or \$1.7 million less than the previous year. This decrease was due to extremely low river flows due to persistent drought conditions in light of excellent plant availabilities. Other operating sales were \$0.3 million greater than last year and are attributable to increased inspection fees on increasing residential construction activity.

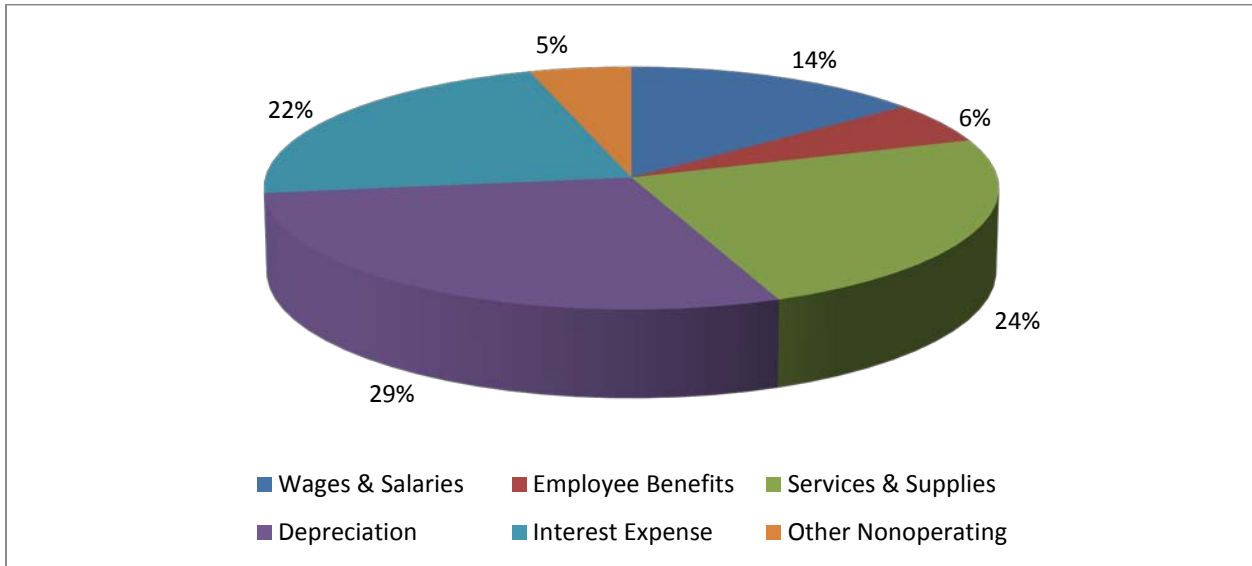
For fiscal year 2015, capital contributions increased by \$14.1 million from fiscal year 2014. This increase was primarily due to a contribution from NV Energy as a result of a partial settlement with their insurers for the reconstruction of the Farad Hydroelectric Plant river diversion for \$9.6 million. Various developer connection fees and will serve sales made up the balance of the increase due to more robust residential construction, as the economy improves in the TMWA service area.

**TMWA's Expenses**  
(in millions)

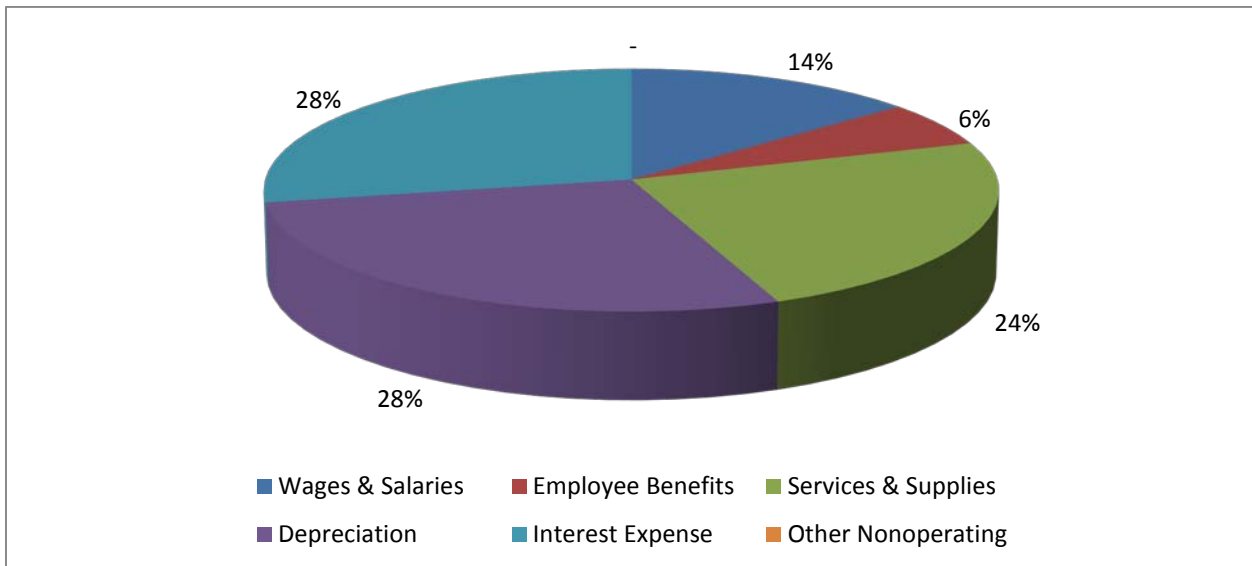
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Expenses		
Operating Expenses		
Wages & Salaries	\$ 13.8	\$ 11.9
Employee Benefits	5.2	5.1
Services & Supplies	23.2	19.3
Depreciation	27.9	23.0
	<hr/> 70.1	<hr/> 59.3
Nonoperating Revenues		
Interest Expense	21.3	21.3
Other Nonoperating Expenses	4.6	1.3
	<hr/> 25.9	<hr/> 22.6
<b>Total Expenses</b>	<hr/> <b>\$ 96.0</b>	<hr/> <b>\$ 81.9</b>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2014 and 2015:

**Total Expenses for the Year Ended June 30, 2015**



**Total Expenses for the Year Ended June 30, 2014**



TMWA’s operating expenses increased \$10.8 million from fiscal year 2014 to fiscal year 2015. This increase was due to an increase of \$1.9 million in wages and salaries, an increase \$0.1 million in associated benefits, an increase of \$3.9 million in services and supplies expenses and an increase of \$4.9 million in depreciation expense. The increase in wages and salaries is primarily due to the transfer of 25 positions from the WCWU to TMWA as well as some additional outside hiring. STMGID was contractually operated by the WCWU and had no employees. Also, a modest wage increase of approximately 2% added approximately \$0.3 million to total operating wages and salaries. Employee benefits increased by a modest net amount of \$0.1 million. Actual employee benefits increased by \$0.7 million but was decreased by \$0.6 million as a result of the operating expense impact of adopting GASB 68 which reduced this category of expenses for fiscal year 2015 only. Pension expense was \$3.0 million for fiscal

year 2015 while contributions to NVPERS was \$3.6 million. Services and supplies expense increased \$3.9 million and is directly attributable to the water utility merger but can be attributed to modest inflation on consumables although it is difficult to isolate specific impacts of this category of expenses since all water utility operations are blended.

Total nonoperating expenses increased by \$3.3 million to \$25.9 million in fiscal year 2015 from \$22.6 million in fiscal year 2014. The primary reason for the increase are non-operating expenses related to the merger of \$3.0 million and \$0.6 million in loss on disposal of assets also related to the merger. Net interest expense changed minimally year over year. The merger related expense included \$0.9 million for cost incurred for the merger, \$1.9 million in cash refunds to former STMGID customers that was negotiated in the merger, and \$0.2 million in cash holdback from the WCWU for non-potable water operations retained by the WCWU that reside in the WCWU water operations. By virtue of the Cooperative Agreement, TMWA cannot operate non-potable water systems.

### **CAPITAL ASSETS**

At June 30, 2015, TMWA's total capital assets were \$1,231.0 million before accumulated depreciation of \$325.4 million, for a net book value of \$905.6 million. Included in the total capital assets reported on the Statement of Net Position was \$11.4 million in construction work in progress.

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

At June 30, 2014, TMWA's total capital assets were \$892.0 million before accumulated depreciation of \$225.3 million, for a net book value of \$666.7 million. Included in the total capital assets was \$7.2 million in construction work in progress.

### **LONG-TERM DEBT**

At June 30, 2015, TMWA had \$518.3 million in total reported debt outstanding. This amount reflects \$514.6 million in total outstanding principal indebtedness, and \$3.7 million net bond premium. Of the \$518.3 million in total reported debt outstanding, \$107.6 million was due within in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of ten 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 and drew only \$4.4 million. 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. During fiscal year 2015, TMWA issued \$28.75 million in Series 2015A refunding bonds to refinance \$33.05 million of outstanding maturities of the Series 2005A bonds.

As a result of the transfer of operations of WCWU, TMWA issued \$27.0 million in tax-exempt commercial paper notes in December 2014, under an expanded liquidity facility, to defease the \$26.1 million in Washoe County water obligations bringing the total outstanding tax-exempt commercial paper notes to \$95.0 million. TMWA intends to re-market the remaining \$95.0 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.

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

### **CURRENTLY KNOWN FACTS**

As a result of the merger customer service connection base increased from approximately 94,000 connections to approximately 120,000 service connections.

On August 19, 2015, the TMWA Board adopted a resolution approving the sale of up to 2,750 acre feet of TMWA surplus water rights to the Pyramid Lake Paiute Tribe (PLPT) to facilitate the accelerated implementation of the Truckee River Operating Agreement (TROA) and drought storage enhancements for TMWA. This transaction finally satisfied the City of Reno, the City of Sparks and Washoe County's (RSW) obligation under TROA to provide 6,700 acre feet of water rights for water quality purposes. In exchange TMWA would receive \$7.0 million from Great Basin Land and Water (GBLW). Federal grants funds were provided to GBLW from the Desert Terminus Lake Funds to purchase water rights in satisfaction of the 6,700 acre foot commitment by RSW. TMWA sold otherwise "dormant" water rights which could not be used for municipal purposes or cannot be monetized in a normal transaction but which could be changed through applications with the State Engineer to allow for use for water quality purposes under TROA. The TMWA General Manger certified that these water rights were surplus property not essential for the efficient operation of TMWA. The completion of this transaction allowed for the final implementation of TROA whereby TMWA will be able to significantly expand drought storage of surface water. Storage activities related to TROA began in December 2015. This effort in addition to the construction of the North Valley's Integration Project to bring Honey Lake Basin groundwater to the TMWA North Valleys service area, together with the acquisition of the Donner Lake assets from TCID will provide significant drought reserves/resources in case of extreme drought conditions.

As disclosed in Note 13 Subsequent Events, TMWA and TCID have agreed that TMWA would acquire TCID's interest in the Donner Lake assets. The purchase price was determined by appraisal to be \$17.4 million excluding de-minimus transfer taxes. The transaction also included dismissal of all litigation with respect to Donner Lake and various TROA related litigation. On

January 4, 2016 the electors of TCID voted to sell their interests in the Donner Lake assets. The transaction is proceeding to escrow.

With the aforementioned events taking place, TMWA has been afforded excellent drought resiliency which positions TMWA to effectively optimize the use of ground and surface water resources.

### **CONTACTING TMWA's FINANCIAL MANAGEMENT**

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

Truckee Meadows Water Authority  
Statement of Net Position  
June 30, 2015

	2015
Assets	
Current assets	
Cash and investments	\$ 104,979,502
Accounts receivable, net	12,616,237
Due from others	19,566
Due from other governments	10,096,844
Interest receivable	1,304,308
Prepaid assets and other assets	1,186,025
	130,202,482
Restricted current assets	
Cash and investments	
Water meter retrofit program	1,754,197
Current bond debt service	20,675,394
	22,429,591
Total current assets	152,632,073
Restricted noncurrent assets	
Cash and investments	
Future bond debt service	33,824,151
Operations and maintenance	7,563,710
Renewal and replacement	25,720,896
Water rate stabilization	500,000
	67,608,757
Noncurrent assets	
Capital assets, not depreciated	123,234,464
Capital assets, depreciated	782,339,301
Prepaid bond insurance and other assets	1,448,867
	907,022,632
Total noncurrent assets	974,631,389
Total assets	1,127,263,462
Deferred Outflow of Resources	
Deferred amount on bond refundings	5,470,546
Deferred amount on net pension liability	3,768,872
	9,239,418
Total deferred outflow of resources	9,239,418
Total Assets and Deferred Outflow of Resources	\$1,136,502,880

Truckee Meadows Water Authority  
Statement of Net Position  
June 30, 2015

	2015
<b>Liabilities</b>	
Current liabilities payable from unrestricted current assets	
Accounts payable	\$ 4,429,632
Contracts and retention payable	2,492,543
Accrued liabilities	3,954,938
Due to other governments	2,866,886
Accrued interest payable	248,179
Current portion of long-term debt	96,348,107
Customer deposits and amounts due to developers	2,806,156
	113,146,441
Current liabilities payable from restricted current assets	
Current portion of long-term debt	11,220,000
Interest payable	9,455,394
	20,675,394
Total current liabilities	133,821,835
Noncurrent liabilities	
Net pension liability	22,293,306
Long-term debt, net of current portion	410,764,241
Total noncurrent liabilities	433,057,547
Total liabilities	566,879,382
Deferred Inflow of Resources	
Deferred amount on net pension liability	5,749,364
Total liabilities and deferred inflow of resources	572,628,746
<b>Net Position</b>	
Net investment in capital assets	444,402,572
Restricted for water meter retrofit program	1,754,197
Restricted for debt service	11,220,000
Restricted for operations and maintenance reserve	2,963,710
Restricted for renewal and replacement reserve	25,720,896
Restricted for water rate stabilization	500,000
Unrestricted	77,312,759
Total net position	563,874,134
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b>\$1,136,502,880</b>

Truckee Meadows Water Authority  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2015

	2015
Operating Revenues	
Charges for water sales	\$ 86,186,698
Hydroelectric sales	1,366,786
Other operating sales	2,475,832
Total operating revenues	90,029,316
Operating Expenses	
Salaries and wages	13,763,006
Employee benefits	5,271,735
Services and supplies	23,180,670
Total operating expenses before depreciation	42,215,411
Depreciation	27,899,449
Total operating expenses	70,114,860
Operating Income	19,914,456
Nonoperating Revenues (Expenses)	
Investment earnings	2,127,009
Net (decrease) in fair value of investments	15,970
Gain (loss) on disposal of assets	(653,698)
Amortization of bond/note issuance costs	(1,004,685)
Interest expense	(21,281,117)
Other nonoperating revenue	300,000
Other nonoperating expense	(3,029,859)
Total nonoperating revenues (expenses)	(23,526,380)
Income (Loss) before Capital Contributions	(3,611,924)
Capital Contributions	
Grants	276,260
Water meter retrofit program	1,013,896
Developer infrastructure contributions	2,703,092
Developer will-serve contributions (net of refunds)	1,864,446
Developer capital contributions-other	1,588,158
Developer facility charges (net of refunds)	2,494,434
Contributions from others	9,698,535
Net capital contributions	19,638,821
Special Item	
Washoe County Water Utility Transfer of Operations	231,516,024
Change in Net Position	247,542,921
Net Position, Beginning of Year (as restated)	316,331,213
Net Position, End of Year	\$ 563,874,134

Truckee Meadows Water Authority  
Statement of Cash Flows  
Year Ended June 30, 2015

	2015
Operating Activities	
Cash received from customers	\$ 88,890,996
Cash paid to employees	(18,951,287)
Cash paid to suppliers	(21,137,019)
Net Cash from Operating Activities	48,802,690
Capital and Related Financing Activities	
Acquisition and construction of capital assets	(25,350,434)
Interest paid on financing	(19,166,395)
Principal paid on financing	(13,071,845)
Proceeds from refunding bonds	33,290,154
Issuance of commercial paper notes	27,000,000
Payments to refunded bond escrow agent	(61,190,336)
Proceeds from capital asset disposal	13,945
Contributions for water meter retrofit program	1,013,896
Contributions from developers-will-serve letters	1,864,446
Contributions from developers-other	1,588,158
Contributions from developers-facility charges	2,494,434
Contributions from others	9,698,535
Grants	547,296
Bond/note issuance costs	(876,615)
Net Cash used for Capital and Related Financing Activities	(42,144,761)
Investing Activities	
Cash received in connection with WCWU transfer of operations	33,682,594
Verdi business park receivable	(635,000)
Payments received on verdi business park receivable	55,873
Interest received	2,634,410
Net Cash from Investing Activities	35,737,877
Net Change in Cash and Cash Equivalents	42,395,806
Cash and Cash Equivalents, Beginning of Year, as originally reported (including \$73,009,732 in restricted accounts)	136,244,037
Cash received in connection with STMGID merger - see Note 12	16,378,007
Cash and Cash Equivalents, Beginning of Year, as restated (including \$89,387,739 in restricted accounts)	152,622,044
Cash and Cash Equivalents, End of Year (including \$90,038,348 in restricted accounts)	\$ 195,017,850

Truckee Meadows Water Authority  
Statement of Cash Flows  
Year Ended June 30, 2015

	2015
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 19,914,456
Adjustments to reconcile operating income to net cash from operating activities	
Depreciation	27,899,449
Other nonoperating revenues	480,000
Other nonoperating expenses	(3,029,858)
Pension expense	2,944,177
Pension contributions	(3,629,441)
Changes in assets and liabilities	
Accounts receivable, net	(278,840)
Due from others	385,003
Due from other governments	106,812
Prepaid assets	(312,738)
Accounts payable	2,889,250
Accrued liabilities	954,956
Due to customers and developers	155,677
Due to other governments	323,787
Net Cash from Operating Activities	\$ 48,802,690
Non-Cash Capital and Related Financing Activities	
Developer infrastructure contributions	\$ 2,703,092
Amortization of bond insurance expenses	60,555
Amortization of net bond premium	(625,608)
Amortization of refunding allowances to interest expense	3,006,885
Supplemental Cash Flows Information	
Capitalization of interest expense	269,461
Capitalization of interest revenue	85,885
Net capital assets from WCWU transfer of operations	225,193,242
Net capital assets from STMGID merger	12,746,685
Developer obligations assumed from WCWU transfer of operations	1,137,887

## **Note 1 - Summary of Significant Accounting Policies**

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

### **Reporting Entity and Purpose**

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

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

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

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

### **Basis of Accounting**

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

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

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

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

### **Budgets and Budgetary Accounting**

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

- On or before April 15, the General Manager of TMWA submits to the Board of Directors a tentative budget for the fiscal year commencing the following July 1.
- Public hearings on the tentative budget are held on the third 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 year ended June 30, 2015. This presentation for fiscal year 2015 is included as Supplementary Information. The presentation for fiscal year 2015 reflects the transfer of operations and merger of the aforementioned water utilities with TMWA as the continuing water utility.

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

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

### **Prepaid Items**

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

### **Capital Assets**

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

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

### **Deferred Outflows/Inflows of Resources**

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

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

### **Pensions**

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

### **Compensated Absences**

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

**Classification of Revenues**

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

**Implementation of GASB Statement No. 68 and GASB Statement No. 71**

As of July 1, 2014, TMWA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the Public Employees' Retirement System of the State of Nevada (NVPERS) which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 14 and the additional disclosures required by these standards are included in Note 10.

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

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

**Note 3 - Accounts Receivable, Net**

Accounts receivable, net consisted of the following:

	June 30, 2015
Billed amounts	\$ 5,073,689
Earned, but unbilled amounts	7,807,431
	12,881,120
Allowance for uncollectibles	(264,883)
Accounts receivable, net	\$ 12,616,237

**Note 4 - Cash and Investments**

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2015, the carrying amount of TMWA's deposits of \$1,301,581 was greater than the respective bank balance of \$1,286,447 by \$15,134. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

As of June 30, 2015, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	\$ 11,785,441	\$ 2,203,555	\$ 13,988,996
U.S. Agencies	19,976,476	50,729,618	70,706,094
Guaranteed Investment Contracts	34,356,465	-	34,356,465
LGIP	1,710,247	-	1,710,247
Money Market Mutual Funds	54,079,628	-	54,079,628
Corporate Notes	13,875,124	-	13,875,124
Corporate Commercial Paper	4,999,500	-	4,999,500
	<u>\$ 140,782,881</u>	<u>\$ 52,933,173</u>	<u>\$ 193,716,054</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. Agencies securities; "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a debt reserve fund with LGIP, which is an unrated external investment pool with investment duration of 108 days. In addition, guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies are rated "AAA" and when investments are made in corporate commercial paper these investments are rated "A-1+/"P-1". Investments in corporate notes are rated "AAA".

**Concentration of Credit Risk**

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

At June 30, 2015, the following investments by issuer, exceeded 5% of TMWA's total investments:

	<u>June 30, 2015</u>	
Federal Home Loan Bank	\$ 47,083,890	24.13%
Bank of America Guaranteed Investment Contract	29,752,798	15.25%
Federal National Mortgage Association	23,622,204	12.11%

Truckee Meadows Water Authority  
Notes to Financial Statements  
June 30, 2015

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2015 follows:

	TMWA July 1, 2014 Balance	STMGID July 1, 2014 Balance	TMWA & STMGID Combined July 1, 2014 Balance	Washoe County Water Utility January 1, 2015 Transferred Balances	FY 15 Increases	FY 15 Decreases	TMWA June 30, 2015 Balance
<b>Capital assets, not being depreciated</b>							
Construction in progress	\$ 7,175,936	\$ -	\$ 7,175,936	\$ 948,239	\$ 24,138,459	\$ (20,843,128)	\$ 11,419,506
Land	12,454,349	824,758	13,279,107	6,314,221	94,783	(1,307)	19,686,804
Water rights	92,128,154	-	92,128,154	-	-	-	92,128,154
<b>Total capital assets, not being depreciated</b>	<b>111,758,439</b>	<b>824,758</b>	<b>112,583,197</b>	<b>7,262,460</b>	<b>24,233,242</b>	<b>(20,844,435)</b>	<b>123,234,464</b>
<b>Capital assets, being depreciated</b>							
Distribution mains	294,270,553	13,912,205	308,182,758	166,866,080	3,300,483	(819,641)	477,529,680
Water treatment (plants)	162,101,563	157,312	162,258,875	15,590,135	2,093,639	(93,126)	179,849,523
Services	109,054,663	3,792,147	112,846,810	18,309,552	3,762,973	-	134,919,335
Pump stations	38,601,818	410,056	39,011,874	22,305,183	253,439	(188,251)	61,382,245
Treated water storage (tanks)	58,760,909	2,881,621	61,642,530	23,296,558	354,053	-	85,293,141
Wells	28,082,334	5,331,943	33,414,277	30,394,940	513,202	(1,815,254)	62,507,165
Pressure regulating stations	5,587,339	620,584	6,207,923	1,971,500	497,178	(5,581)	8,671,021
Canals	40,143,917	-	40,143,917	-	-	(56,129)	40,087,788
Reservoirs	10,989,693	-	10,989,693	-	2,479,453	(34,884)	13,434,262
Vehicles	3,224,177	-	3,224,177	-	1,729,509	(945,860)	4,007,826
Furniture and fixtures	646,329	-	646,329	-	27,714	(70,976)	603,066
Computer hardware and software	2,017,400	-	2,017,400	19,000	675,823	(306,369)	2,405,854
Lab equipment	25,606	-	25,606	-	171,972	-	197,578
Hydroelectric facilities	16,770,581	-	16,770,581	-	8,092,705	(58,498)	24,804,788
Administrative buildings	10,003,842	-	10,003,842	-	2,050,332	(11,674)	12,042,500
<b>Total capital assets, being depreciated</b>	<b>780,280,724</b>	<b>27,105,868</b>	<b>807,386,592</b>	<b>278,752,947</b>	<b>26,002,473</b>	<b>(4,406,242)</b>	<b>1,107,735,771</b>
<b>Less accumulated depreciation:</b>							
Distribution mains	(52,978,909)	(7,063,256)	(60,042,165)	(25,091,291)	(7,304,896)	269,229	(92,169,125)
Water treatment (plants)	(58,650,804)	(136,453)	(58,787,257)	(4,875,173)	(5,326,725)	70,010	(68,919,145)
Services	(55,960,113)	(2,835,279)	(58,795,392)	(12,675,810)	(6,660,758)	-	(78,131,960)
Pump stations	(11,470,571)	(397,769)	(11,868,340)	(2,409,749)	(1,712,793)	122,171	(15,868,711)
Treated water storage (tanks)	(12,391,298)	(1,675,264)	(14,066,562)	(5,302,776)	(1,673,861)	-	(21,043,199)
Wells	(12,744,022)	(2,282,631)	(15,026,653)	(8,838,584)	(1,946,254)	962,010	(24,849,481)
Pressure regulating stations	(3,119,544)	(376,893)	(3,496,437)	(1,116,045)	(389,667)	3,348	(4,998,801)
Canals	(6,630,098)	-	(6,630,098)	-	(940,635)	56,129	(7,514,604)
Reservoirs	(4,248,513)	-	(4,248,513)	-	(385,668)	-	(4,634,181)
Vehicles	(2,422,611)	-	(2,422,611)	-	(263,864)	945,571	(1,740,904)
Furniture and fixtures	(319,098)	-	(319,098)	-	(76,624)	70,976	(324,746)
Computer hardware and software	(653,065)	-	(653,065)	(19,000)	(348,912)	212,233	(808,744)
Lab equipment	(20,484)	-	(20,484)	-	(22,318)	-	(42,802)
Hydroelectric facilities	(2,151,351)	-	(2,151,351)	-	(405,040)	-	(2,556,391)
Administrative buildings	(1,548,838)	-	(1,548,838)	-	(244,837)	-	(1,793,675)
<b>Total accumulated depreciation</b>	<b>(225,309,320)</b>	<b>(14,767,545)</b>	<b>(240,076,865)</b>	<b>(60,328,428)</b>	<b>(27,702,853)</b>	<b>2,711,677</b>	<b>(325,396,470)</b>
<b>Total capital assets, being depreciated, net</b>	<b>554,971,404</b>	<b>12,338,323</b>	<b>567,309,727</b>	<b>218,424,519</b>	<b>(1,700,379)</b>	<b>(1,694,565)</b>	<b>782,339,301</b>
<b>Total Capital Assets, Net</b>	<b>\$ 666,729,843</b>	<b>\$ 13,163,081</b>	<b>\$ 679,892,924</b>	<b>\$ (225,686,978)</b>	<b>\$ 22,532,863</b>	<b>\$ (22,539,000)</b>	<b>\$ 905,573,765</b>

## Note 6 - Long-Term Debt

On June 8, 2005, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Arsenic Mitigation Project. TMWA made draws on this contract as construction proceeded, totaling \$4,669,565. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan was subordinate to 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. On May 14, 2015, \$33,050,000 of the bonds were refunded with the Series 2015A Refunding Bonds (see below) on a current basis, with the remaining balance of \$890,000 payable on July 1, 2015.

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 Statement 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 originally authorized the issuance of up to \$160,000,000 in TECP notes. After \$11,400,000 of redemptions, total authorized issuance stands at \$148,600,000 in TECP notes. Of the total authorization, TMWA has outstanding \$95,000,000 as of June 30, 2015. The first draw was on August 16, 2006 for \$30,000,000, a second draw was on December 5, 2006 for \$13,000,000, a third draw was made on February 15, 2008 for \$25,000,000, and a fourth draw was made on June 28, 2011 for \$11,400,000, for a total issuance of \$79,400,000. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012, leaving \$68,000,000 outstanding at June 30, 2014. TMWA issued a fifth draw for \$27,000,000 on December 17, 2014. TMWA has remaining authorization to issue \$53.6 million as of June 30, 2015. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The fifth draw was to refund, on an advanced basis, \$26,100,000 in Washoe County water obligations to effect the water utility consolidation between Washoe County and TMWA with proceeds transferred to escrow on the date of issuance. The TECP program is facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and the Bank of Tokyo-Mitsubishi UFJ. The stated amount of the Liquidity Facility is \$103,432,878. The average interest rate on the outstanding balance of TECP as of June 30, 2015 was 0.11%. As of June 30, 2015 the total TECP notes outstanding were comprised of 5 tranches ranging from \$6,750,000 to \$34,000,000 million with maturities ranging from 93 and 180 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 2001A Bonds, and is subordinate to the 2005A Bonds, 2006 Refunding Bonds, the 2007 Refunding Bonds, the 2010 Refunding Bonds, and the 2015A 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. During fiscal year 2013, the loan was finalized in the total amount of \$4,381,614. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan was subordinate to the senior lien 2001A Bonds, and is subordinate to the 2005A Bonds, 2006 Refunding Bonds, 2007 Refunding Bonds, the 2010 Refunding Bonds, and the 2015A Refunding Bonds, as well as future senior lien bonds.

In connection with the transfer of operations to TMWA of the Washoe County Water utility, TMWA assumed the Washoe County 2005 Water Bond obligation of \$26,100,000. Upon transfer of the obligation, TMWA refunded the 2005 Washoe County Water bonds in an advance refunding utilizing TMWA's Tax-Exempt Commercial Paper Program. As discussed above, \$27,000,000 in commercial paper was issued by TMWA, the proceeds of which were placed in irrevocable trust for the future debt service payments on the Washoe County 2005 Water bonds. Accordingly, the refunded bonds are considered defeased and the liability has been removed from TMWA's Statement on Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$728,084. The unamortized balance is being amortized as a component of interest expense over the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 16 years and resulted in an economic gain of \$19,525,248. The funds in the irrevocable trust were \$27,357,502 on June 30, 2015.

On December 31, 2014, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) the 2014 DWSRF Loan, to transfer the remaining loan balance of the Washoe County Water Utility 2005 DWSRF loan to TMWA. As a result of the transfer of operations of the Washoe County Water Utility into TMWA on January 1, 2015. The loan contract was entered into by the Washoe County Water Utility to construct the Longley Lane Water Treatment Facility, a facility that was transferred to TMWA as a result of the water utility transfer of operations. The loan balance of \$9,109,437 was transferred to TMWA under the same terms that existed with Washoe County as the TMWA 2014 DWSRF loan. The original balance of the loan was \$14,162,268. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues, derived from the operation of the Water System. This loan has remaining term of 10 years. This loan was subordinate to the senior lien 2001A Bonds, and is subordinate to the 2005A Bonds, 2006 Refunding Bonds, 2007 Refunding Bonds, the 2010 Refunding Bonds, and the 2015A Refunding Bonds, as well as future senior lien bonds.

On April 14, 2015, TMWA issued \$28,750,000 in Series 2015A Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund on a current basis \$33,050,000 in maturities of the Series 2005A Bonds. The proceeds of the refunding bond issue were placed in an irrevocable trust for the purpose of generating financial resources to defease that callable portion of the Series 2005A Bonds. As of June 30, 2015, \$33,832,834 is held in the irrevocable trust by the escrow agent. The Series 2005A refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$642,189. 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 21 years by \$6,563,813 and resulted in an economic gain of \$4,575,309.

Truckee Meadows Water Authority  
Notes to Financial Statements  
June 30, 2015

The following schedules summarize the changes in long-term obligations as of June 30, 2015

June 30, 2015	Final Maturity Date	Authorized	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due in 2015-2016
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 3,099,675	\$ -	\$ 239,097	\$ 2,860,578	\$ 246,833
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	34,795,000	-	33,905,000	890,000	890,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,785,000	-	370,000	148,415,000	385,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	215,285,000	-	485,000	214,800,000	510,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,916,865	-	123,669	1,793,196	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	19,855,000	-	10,420,000	9,435,000	9,435,000
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	4,184,928	-	203,130	3,981,798	209,785
2005 Washoe County Water <sup>1</sup> Bonds 4.00%-5.00%	1/1/2035	N/A	-	26,100,000	26,100,000	-	-
2014 Water Revenue <sup>2</sup> DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	-	9,109,437	375,950	8,733,487	767,820
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	-	28,750,000	-	28,750,000	-
Subtotal		487,271,736	427,921,468	63,959,437	72,221,846	419,659,059	12,568,107
Plus unamortized net bond premium			35,590	4,540,154	(902,454)	3,673,290	
Total debt before tax exempt commercial paper			427,957,058	59,419,283	71,319,392	423,332,349	
TMWA Tax-Exempt Commercial Paper <sup>1</sup>		148,600,000	68,000,000	27,000,000	-	95,000,000	95,000,000
Total Debt		<u>\$ 635,871,736</u>	<u>\$ 495,957,058</u>	<u>\$ 86,419,283</u>	<u>\$ 71,319,392</u>	<u>\$ 518,332,349</u>	<u>\$ 107,568,107</u>

Note: 1) TMWA issued \$27.0 million in tax-exempt commercial paper notes to defease \$26.1 million in Washoe County water obligations as a result of the water utility merger.  
2) TMWA assumed the remaining balance of \$9.1 million in Washoe County DWSRF Water obligations as a result of the water utility merger.

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:			
2015	\$ 107,568,107	\$ 18,808,507	\$ 126,376,614
2016	14,004,693	17,910,957	31,915,650
2017	15,312,381	17,267,333	32,579,714
2018	15,971,198	16,601,128	32,572,326
2019	16,661,182	15,901,319	32,562,501
2020-2024	94,408,986	68,349,752	162,758,738
2025-2029	108,987,512	46,552,363	155,539,875
2030-2034	137,535,000	18,380,688	155,915,688
2035-2037	<u>4,210,000</u>	<u>213,000</u>	<u>4,423,000</u>
Total	<u>\$ 514,659,059</u>	<u>\$ 219,985,047</u>	<u>\$ 734,644,106</u>

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

## Note 7 - Net Position

### Restricted Net Position

TMWA records the following restrictions of net position:

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

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

Restricted in accordance with the STMGID merger agreement: The merger agreement with STMGID required that certain funds transferred to TMWA by STMGID may only be used for three purposes: a) payment of contingent liabilities b) construction of facilities to move surface water into the STMGID water utility, and replacement, rehabilitation and/or repair of the STMGID facilities. The restricted amount of \$15,720,896 is included in the amount restricted for renewal and replacement.

### Board Designation

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

## Note 8 - Contingent Liabilities

TMWA was a co-defendant with others, in lawsuits with the Pyramid Lake Paiute Tribe. Those lawsuits have been dismissed as a result of finalization of a water settlement agreement stemming from Public Law 101-618, and the Truckee River Operating Agreement (TROA).

Truckee-Carson Irrigation District: 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.

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. In addition, subject to the tentative purchase by TMWA of TCID's interest in the Donner Lake assets (see subsequent event note 13), the pending litigation will be dismissed.

Boca Dam and Reservoir: The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the "Boca Dam"), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the "Conservation District"). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the "BOR"), the BOR is currently working on conceptual designs for an earthquake hardening project at the base of Boca Dam. The construction costs for an earthquake hardening project are currently estimated at \$21.0 million, plus additional design and engineering costs. Under federal law, the

beneficiary of the authorized purposes of the structure must pay 15% of the total project cost. Given the complexities of TROA, pending litigation and other matters which complicate identifying who is the beneficiary of the authorized purposes of the structures, the Conservation District is in negotiations with the BOR as to how that 15% is allocated between irrigation and municipal uses. Cost allocation issues have yet to be resolved. Based upon information received by the Authority, the Authority currently expects its portion of beneficiary cost to range from \$0.6 million to above \$2.8 million based on cost estimates at this time. As of June 30, 2015, the Conservation District had spent approximately \$3.3 million in design and engineering costs on the project.

Pall Filter Corporation: As a consequence of the transfer of operations from the Washoe County water utility and the merger with STMGID, TMWA agreed to assume certain liabilities with respect to claims asserted by Pall Filter, against Washoe County. These claims are regarding alleged fabrication of filter membrane equipment, in the amount of approximately \$2.1 million, for alleged costs and profit incurred for materials labor, insurance and storage of the filter membrane equipment. This fabrication allegedly occurred sometime in 2006-2007, in connection with a treatment plant that Washoe County elected not to construct. TMWA understands that the Washoe County disputed the alleged claim based on the fact that no notice to proceed was ever given to Pall Filter to begin fabrication, among other considerations. TMWA has also asserted this position, after investigating the claims, which remain disputed at this time.

Mt. Rose Fan Domestic Well Program: As part of the transfer of operations with the Washoe County water utility, TMWA also agreed to continue Washoe County's Mt. Rose-Galena Fan Domestic Well Mitigation Program, which provides for the reimbursement of specific well deepening costs or water system connection charges, incurred by property owners within the program area, whom experienced or will experience an "unreasonable adverse effect" as a result of municipal groundwater pumping. TMWA's continuation of the program provides continuity for domestic well owners in the specific program and provides protection of shared groundwater resources in the program area. TMWA's budget includes projected costs for administering the domestic well mitigation plan. In addition, TMWA's 2016-2020 Capital Improvement Plan list several major construction projects to move surface water into the affected area during certain times of the year to mitigate adverse effects on groundwater levels.

## **Note 9 - Risk Management**

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

## **Note 10 - Pensions and Other Employee Benefits**

### **Defined Benefit Pension Plan**

#### *Plan Description*

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

#### *Benefits Provided*

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

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

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

#### *Vesting*

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

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

#### *Contributions*

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

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

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

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

For the fiscal year ended June 30, 2014 and June 30, 2015 the Statutory Employer/employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 25.75%.

TMWA's contributions were \$3,629,441 for the year ended June 30, 2015.

*PERS Investment Policy*

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

The following was the PERS Board adopted policy target asset allocation as of June 30, 2014:

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

As of June 30, 2014, PERS' long-term inflation assumption was 3.5%.

*Net Pension Liability*

At June 30, 2015, TMWA reported a liability for its proportionate share of the net pension liability of \$22,293,306. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's proportion of the net pension liability was based on TMWA's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2014, TMWA's proportion was .2139 percent.

*Pension Liability Discount Rate Sensitivity*

The following presents the net pension liability of TMWA as of June 30, 2014, calculated using the discount rate of 8.00%, as well as what TMWA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	\$ 34,669,529	\$ 22,293,306	\$ 12,006,345

*Pension Plan Fiduciary Net Position*

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

*Actuarial Assumptions*

TMWA's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and June 30, 2013.

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

For the year ended June 30, 2015, TMWA recognized pension expense of \$2,944,177. At June 30, 2015, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,066,857
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	4,682,507
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	139,431	-
TMWA contributions subsequent to the measurement date	3,629,441	-
	\$ 3,768,872	\$ 5,749,364

\$3,629,441 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2013 (the beginning of the measurement period ended June 30, 2014) is 6.7 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2016	\$ (1,333,333)
2017	(1,333,333)
2018	(1,333,333)
2019	(1,333,333)
2020	(162,704)
Thereafter	(113,897)

Reconciliation of Net Pension Liability

Beginning net pension liability	\$ 28,128,358
Pension expense	2,944,177
Employer contributions	(3,169,296)
New net deferred inflows/outflows	(5,609,933)
Recognition of prior deferred (inflows)/outflows	-
Ending net pension liability	\$ 22,293,306

*Additional Information*

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

**Deferred Compensation Plans**

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, all employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. As of June 30, 2015 TMWA had matching contributions totaling \$830,391.

**Other Post-Employment Benefit Plans (OPEB)**

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

**§501-c-9 Plan**

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

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

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group of represented employees will receive a subsidy as a percentage of the total health premium, dependent upon years of service and age of retirement, with a maximum subsidy of 85% with 20 years of credited service. Employees with 20 or more years of service electing the Medicare Risk Contract would pay nothing towards health premiums. For this group dependents are also covered. The post-December 31, 1997 group of represented employees will receive a total subsidy of \$1,250 times years of service towards health care premiums. This amount does not grow with interest and once exhausted a retiree may convert to COBRA, but only for the 18 month continuation period. For MPAT employees, the annual

subsidy is \$235 times years of service, up to 30 years, prorated for each month of retirement while under the age of 65. On or after the age of 65, the subsidy is \$105 times years of service prorated for each month of retirement while age 65 and older. If an MPAT employee retires and draws benefits before age 62, the subsidy is reduced by 5% for each full year retirement precedes 62. There is no extra subsidy for spousal or dependent coverage except continuation benefits provided for under COBRA. Retirees are responsible for the remaining portion of premiums.

The number of active participants and retirees as of July 1, 2014, the effective date of the OPEB valuation was 153 and 23, respectively. As of June 30, 2015 there were 26 retirees receiving benefits from the Plan.

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

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

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 244,429	\$ 244,429	100%	\$ -
2014	216,956	216,956	100%	-
2013	216,956	216,956	100%	-

The net OPEB obligation as of June 30, 2015 was calculated as follows:

	<u>2015</u>
Normal cost	\$ 303,827
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>(59,398)</u>
Annual OPEB Cost (ARC)	244,429
Total Contributions	<u>(244,429)</u>
Change in net OPEB obligation	-
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ -</u></u>

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (July 1, 2014) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 8,196,010
Actuarial Value of Plan Assets (b)	<u>8,443,923</u>
Unfunded/(Overfunded) Actuarial Accrued Liability (UAAL) (a-b)	<u>\$ (247,913)</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	103.02%
Covered Payroll (c)	\$ 12,941,448
UAAL as a Percentage of Covered Payroll [(a-b)]/(c)	-1.92%

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.

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

Actuarial valuation date	July 1, 2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	24 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

### **§115 Plan**

Plan Description. On December 17, 2014, TMWA formed The Truckee Meadows Water Authority OPEB Trust Fund (§115 Plan), a single-employer defined benefit OPEB plan that was established to provide certain eligible TMWA employees with post-employment health benefits. This specific plan was formed to provide post-employment benefits to qualified transferred Washoe County employees as a result of the water utility transfer of operations. STMGID had no employees and was contractually operated by Washoe County. Twenty-five employees transferred from Washoe County to TMWA, of which two had no post-employment benefits, and were subsequently enrolled in the Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (§501-c-9 Plan). Of the remaining 23 transferred employees, one left the employment of

TMWA to work for another public agency, which disqualified the individual from future benefits from the §115 Plan, resulting in 22 remaining transferred employees that are entitled to benefits as of June 30, 2015. The §115 Plan is a closed plan that will provide future benefits to the remaining eligible transferred employees and no new beneficiaries can be enrolled in this Plan.

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

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

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

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

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

The number of active participants and retirees as of January 1, 2015, the effective date of the OPEB valuation was 22 and 0. As of June 30, 2015 there were no retirees receiving benefits from the Plan.

The net OPEB obligation as of June 30, 2015 was calculated as follows:

	2015
Normal cost	\$ 45,592
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	29,997
Annual OPEB Cost (ARC)	75,589
Total Contributions	(75,589)
Change 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 (January 1, 2015) was as follows:

Actuarial Accrued Liability (AAL) (a)	\$ 1,357,972
Actuarial Value of Plan Assets (b)	546,873
Unfunded Actuarial Accrued Liability (UAAL) (a-b)	\$ 811,099
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	40.27%
Covered Payroll (c)	\$ 786,385
UAAL as a Percentage of Covered Payroll [(a-b)/(c)]	103.14%

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

Actuarial valuation date	January 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Investment rate of return	6.00%
Projected salary increases	3.00%
Healthcare inflation rate	5.00%

## Note 11 - Commitments

After fiscal year 2015, TMWA awarded a bid and executed a contract with a contracting company, to construct the North Valleys Integration Project (NVIP). The contract is approximately \$9.1 million and the project is expected to be completed in early fiscal year 2016.

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 2015 as a contribution in fiscal year 2015 to the Truckee River Fund of the Community Foundation of Western Nevada, for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

## **Note 12 - Merger and Transfer of Operations**

### **Transfer of Operations – Washoe County Water Utility**

The 2007 Session of the Nevada State Legislature passed Senate Bill 487 known as the Western Regional Water Commission Act, (The Act), which established the Western Regional Water Commission, providing for the regional management and conservation of water resources in certain parts of Washoe County. Embodied in the Act was to evaluate and provide recommendations regarding the consolidation of public purveyors in the planning area, which include the costs and benefits of consolidation, including various analyses in a number of areas, including identifying any impediments to consolidation. TMWA and the Washoe County water utility explored the potential consolidation and identified potential impediments that would need to be removed to combine the respective water utilities. Due diligence efforts ensued for over five years, with the result that water utility transfer of operations was feasible and all impediments removed. In early fiscal year 2010, TMWA and the Washoe County Board of Commissioners approved an Interlocal Agreement governing the transfer of operations of Washoe County's water utility (WCWU) into TMWA.

In the October/November timeframe of fiscal year 2015, the Washoe County and TMWA Boards approved the necessary documents to effect the transfer of operations to TMWA. The planned effective date of the transfer was midnight, December 31, 2014. The documents identified assets to be transferred and excluded, as well as liabilities to be assumed and excluded. Assets to be transferred included all necessary infrastructure, land and water resources to serve former Washoe County water utility customers. Material liabilities to be assumed were a Drinking Water State Revolving Loan in the amount of \$9.1 million and \$26.1 million Series 2005 G.O. Revenue Bond issue. Assumption of other contingent liabilities included the potential settlement with Pall Filter Company and potential liabilities with respect to domestic well owners impacted by municipal pumping on the Mt. Rose Fan (see Note 8). Other assumed liabilities included normal and customary liabilities associated with employees and vendors. All identified liabilities are believed to be resolvable and the combined financial resources of the TMWA appear sufficient to address these matters.

In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, the December 31, 2014 net position of WCWU of \$231,516,024, after necessary adjustments and eliminations, transferred to TMWA and is reflected as a special item on TMWA's Statement Revenues, Expenses and Changes in Net Position. The operating and non-operating revenue and expenses have been accounted for prospectively from the date of transfer.

The adjustments and eliminations to the WCWU net position that resulted in the ultimate transfer of \$231,516,024 were comprised of:

- certain current assets and current liabilities of the water utility that were retained by Washoe County.
- adjustments to capital assets reflect capital assets not transferred to TMWA because these assets were unrelated to the water utility function.
- reclassifications include the re-characterization of restricted cash to unrestricted cash because of the defeasance of the Washoe County 2005 Senior Lien G.O. Revenue Bonds with TMWA tax exempt commercial paper. The defeasance of this debt was recorded after the date of the merger with the elimination of prepaid bond interest taken up in the defeasance calculation.

As a result of the transfer of operations, TMWA's capital asset base increased approximately by one third on a dollar basis and included a significant importation project referred to as the Fish Springs Ranch Importation Project (Fish Springs). This project has banked necessary water rights formerly with Washoe County that were transferred to TMWA for future will-serve commitments to be sold by the Vidler Water Company (Vidler). Until the aforementioned water rights are fully committed, TMWA has the option to use the infrastructure capacity and uncommitted water rights of Vidler to serve existing customer demands.

Truckee Meadows Water Authority  
Notes to Financial Statements  
June 30, 2015

The following table presents the December 31, 2014 WCWU net position transferred to TMWA.

	WCWU			WCWU
	December 31, 2014	Adjustments and/or Eliminations		Transferred Balances December 31, 2014
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments				
Unrestricted	\$ 36,788,562	\$ 9,034,129	\$ 2,462,020	\$ 43,360,671
Restricted	1,156,438	-	1,156,438	-
Accounts receivable, net of allowance for doubtful accounts	646,240	123,936	770,176	-
Interest receivable	54,887	4	54,891	-
Inventory	133,780	-	-	133,780
<b>Total current assets</b>	<b>38,779,907</b>	<b>9,158,069</b>	<b>4,443,525</b>	<b>43,494,451</b>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Capital assets not depreciated	7,264,086	-	1,627	7,262,459
Capital assets depreciated	221,770,963	3,534,908	7,375,088	217,930,783
LT Debt Reserve - Washoe County	4,437,876	-	4,437,876	-
Rate Stabilization Reserve - Washoe County	2,674,932	-	2,674,932	-
Prepaid bond insurance	183,001	-	-	183,001
<b>Total non-current assets</b>	<b>236,330,858</b>	<b>3,534,908</b>	<b>14,489,523</b>	<b>225,376,243</b>
<b>Total assets</b>	<b>275,110,765</b>	<b>12,692,977</b>	<b>18,933,048</b>	<b>268,870,694</b>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	419,371	419,371	-	-
Accrued liabilities	834,419	501,584	69,372	402,207
Due to other governments	180,431	194,384	13,953	-
Accrued interest payable	780,488	652,500	-	127,988
Current portion of long term debt	757,182	-	-	757,182
Customer deposits	7,286	7,286	-	-
Due to developers	1,385,753	247,865	-	1,137,888
Unearned revenue	223,331	223,331	-	-
<b>Total current liabilities</b>	<b>4,588,261</b>	<b>2,246,321</b>	<b>83,325</b>	<b>2,425,265</b>
Long term debt net of current portion	35,164,675	-	-	35,164,675
<b>Total liabilities</b>	<b>39,752,936</b>	<b>2,246,321</b>	<b>83,325</b>	<b>37,589,940</b>
<b>Net Position</b>				
Net investment in capital assets	193,113,193	7,376,714	3,534,907	189,271,386
Restricted for debt service	7,488,758	7,488,758	-	-
Unrestricted	34,755,880	-	7,488,758	42,244,638
<b>Total net position</b>	<b>\$ 235,357,831</b>	<b>\$ 14,865,472</b>	<b>\$ 11,023,665</b>	<b>\$ 231,516,024</b>

NOTE: \$9,678,076 of the cash transferred to TMWA was received by TMWA after June 30, 2015; and as such, is reflected as due from other governments on the Statement of Net Position at June 30, 2015.

### **Merger – South Truckee Meadows General Improvement District**

In mid-fiscal year 2014, the South Truckee Meadows General Improvement District (STMGID) and TMWA approved an Interlocal Agreement governing the merger of STMGID into TMWA. The merger ordinance for the merger of STMGID was heard by the Board of Washoe County Commissioners in early fiscal year 2015, with the result that STMGID was to be dissolved on the same effective date as the transfer of operations between the Washoe County water utility and TMWA; midnight December 31, 2014.

In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, STMGID was merged into TMWA, with TMWA as the continuing entity. As such, the net position of STMGID, after applicable adjustments and eliminations, as of the beginning of TMWA's fiscal year, July 1, 2014 was combined with TMWA as of that date, resulting in a restatement of TMWA's beginning net position of \$29,727,257. The operating and non-operating revenues and expenses of STMGID were accounted for and incorporated into TMWA from July 1, 2014 forward.

The adjustments and eliminations to STMGID's net position that resulted in restatement of \$29,727,257 to TMWA's beginning net position in connection with the merger of STMGID were comprised of:

- reclassification of cash and investments from unrestricted to restricted given provisions of the merger agreement that STMGID cash and investments are restricted for specific STMGID related improvements (See Note 7). Certain current assets and current liabilities of the water utility that were retained by Washoe County.
- adjustments to capital assets to remove the historical cost and related accumulated depreciation for fire hydrants that TMWA will not own as fire hydrant assets are retained by the jurisdiction that provides fire public safety (Washoe County).

Truckee Meadows Water Authority  
Notes to Financial Statements  
June 30, 2015

The following table presents the merger of STMGID reported as of the beginning of TMWA's fiscal year, July 1, 2014.

	STMGID June 30, 2014	Adjustments and/or Eliminations		STMGID Merged Balances July 1, 2014
<b>Assets</b>				
<b>Current Assets</b>				
Cash and investments deposited with the Washoe County Treasurer				
Undesignated	\$ 11,205,043	\$ -	\$ 11,205,043	\$ -
Designated-Restricted	5,335,734	11,205,043	-	16,540,777
Accounts receivable, net of allowance for doubtful accounts	280,969	-	-	280,969
Interest receivable	38,815	-	-	38,815
Due from other governments	158,216	-	-	158,216
Total current assets	<u>17,018,777</u>	<u>11,205,043</u>	<u>11,205,043</u>	<u>17,018,777</u>
<b>Noncurrent Assets</b>				
<b>Capital assets</b>				
Land	824,758	-	-	824,758
Machinery and equipment	176,690	-	-	176,690
Buildings and improvements	313,058	-	-	313,058
Improvements other than buildings	26,616,121	-	685,625	25,930,496
Less accumulated depreciation	(14,767,545)	269,228	-	(14,498,317)
Total noncurrent assets	<u>13,163,082</u>	<u>269,228</u>	<u>685,625</u>	<u>12,746,685</u>
Total assets	<u>30,181,859</u>	<u>11,474,271</u>	<u>11,890,668</u>	<u>29,765,462</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	9,526	-	-	9,526
Due to other governments	9,778	-	-	9,778
Deposits	22,115	-	-	22,115
Unearned revenue	8,959	-	-	8,959
Total liabilities	<u>50,378</u>	<u>-</u>	<u>-</u>	<u>50,378</u>
<b>Net Position</b>				
Net investment in capital assets	13,163,082	416,397	-	12,746,685
Restricted for renewal & replacement reserve	-	-	16,540,777	16,540,777
Unrestricted	16,968,399	16,528,604	-	439,795
Total net position	<u>\$ 30,131,481</u>	<u>\$ 16,945,001</u>	<u>\$ 16,540,777</u>	<u>\$ 29,727,257</u>

NOTE: \$162,770 of cash was received by TMWA after June 30, 2015; and as such, is reflected as due from other governments on the Statement of Net Position at June 30, 2015.

### Note 13 - Subsequent Events

On August 19, 2015 the TMWA Board adopted a resolution approving the sale of up to 2,750 acre feet of TMWA surplus water rights to the Pyramid Lake Paiute Tribe (PLPT) to facilitate the accelerated implementation of the Truckee River Operating Agreement (TROA) and drought storage enhancements for TMWA. This transaction would finally satisfy the City of Reno, the City of Sparks and Washoe County's (RSW) obligation under TROA to provide 6,700 acre feet of water rights for water quality purposes. In exchange TMWA would receive \$7.0 million from Great Basin Land and Water (GBLW). Federal grants funds were provided to GBLW from the Desert Terminus Lake Funds to purchase water rights in satisfaction of the 6,700 acre foot commitment by RSW. TMWA sold otherwise "dormant" water rights which could not be used for municipal purposes or cannot be monetized in a normal transaction but which could be changed through applications with the State Engineer to allow for use for water quality purposes under TROA. The TMWA General Manger certified that these water rights were surplus property not essential for the efficient operation of TMWA. On October 06, 2015 TMWA received the first installment of \$3.5 million less minimal transaction and escrow fees. The second installment of \$3.5 million would be transferred upon final dismissal of certain lawsuits and final approval of transfer by the Nevada State Engineer which is expected to occur. The final dismissal of lawsuits (see note 8) occurred in the first week of November 2015 which allows the Nevada State Engineer's office to approve the transfer of the permits to the PLPT, then the final \$3.5 million installment will be paid to TMWA.

On May 21, 2015 the TMWA Board approved a resolution providing for the issuance of its Water Revenue Bond Series 2015B in the principal amount of \$15.0 million to fund the construction of the North Valleys Integration Project (NVIP). The loan contract was signed on July 30, 2015. The NVIP would connect the TMWA North Valleys water system with the Fish Springs Ranch infrastructure which was dedicated to the Washoe County water utility and subsequently transferred to TMWA as a result of the water utility consolidation. This integration construction project would allow for the use of approximately 8,000 acre feet of groundwater in the Honey Lake groundwater basin to be used in TMWA's North Valley's service area. TMWA bid and awarded a construction contract to a construction company to construct the NVIP pipeline in November, 2015 for \$9.1 million. The total \$15.0 million loan authorization is considered sufficient to fund the construction of the NVIP Project and other ancillary construction costs. The loan is provided by the Nevada Drinking Water State Revolving Loan Fund a fund which is subsidized with federal money.

On October 23, 2015 TMWA received final disbursements from Washoe County and STMGID in relation to the transfer of operations and merger of the water utilities. TMWA received approximately \$9.7 million from the Washoe County water utility and approximately \$0.2 million from STMGID, amounts which are reflected in "Due from Other Governments" balance on the June 30, 2015 TMWA Statement of Net Position. In addition, the Washoe County Retiree Health Benefit Program Trust transferred to The Truckee Meadows Water Authority OPEB Trust Fund (\$115 Plan) over \$0.5 million for the benefit of eligible transferred Washoe County employees referenced in Note 12, Pensions and Other Employee Benefits. Upon transfer of these funds all financial transaction and obligations related to the water utility transfer of operations and merger was satisfied.

On May 21, 2015 the TMWA Board approved a resolution to amend TMWA's water rate schedules for the conversion of flat rate customers to metered billing on the first business day October 1, 2015. The conversion to metered billing occurred on this date.

On December 16, 2015 the TMWA Board agreed to purchase TCID’s Donner Lake assets for the appraised value of \$17,445,000 less credits for various dam improvements previously performed by TMWA. The TMWA General Manager was authorized by the Board to negotiate and execute the purchase agreement. The TCID Board also on December 16, 2015 agreed to sell its interest in the Donner Lake assets to TMWA subject to a vote of the TCID electors. In addition to the Donner Lake asset purchase, TMWA also proposed settlement of the Donner Lake litigation (see Note 8) and various TROA related litigation with TCID as part of the purchase agreement. On January 4, 2016, the TCID electors voted to approve TMWA’s purchase of the Donner Lake assets which included settlement of the Donner Lake and various TROA related litigation with TCID.

**Note 14 - Restatement of Beginning Balance**

**Adoption of New Accounting Standard**

As of July 1, 2014, TMWA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflow of resources related to contributions made after the measurement date as disclosed in the table below.

**Merger of STMGID**

TMWA’s beginning net position was restated to report the net position of STMGID in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. See Note 12 for further discussion of TMWA’s merger of STMGID and the table below for the restatement of TMWA’s net position as of July 1, 2014.

Net position at June 30, 2014, as previously reported	\$ 311,563,018
Adoption of New Standard	
Net Pension liability at June 30, 2014	(28,128,358)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	3,169,296
Merger of STMGID	
STMGID net position, July 1, 2014, as adjusted	29,727,257
Net position at July 1, 2014, as restated	\$ 316,331,213

Truckee Meadows Water Authority  
Schedule of Funding Progress – Other Postemployment Benefit Plans  
June 30, 2015

Plan	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll [(a-b)/c]
501c9 Plan	July 1, 2014	\$ 8,196,010	\$ 8,443,923	\$ (247,913)	103.02%	\$12,941,448	-1.92%
115 Plan	January 1, 2015	1,357,972	546,873	811,099	40.27%	786,385	103.14%
		<u>\$ 9,553,982</u>	<u>\$ 8,990,796</u>	<u>\$ 563,186</u>	<u>94.11%</u>	<u>\$13,727,833</u>	<u>4.10%</u>
501c9 Plan	July 1, 2012	<u>\$ 6,228,631</u>	<u>\$ 6,181,506</u>	<u>\$ 47,125</u>	<u>99.24%</u>	<u>\$11,618,408</u>	<u>0.41%</u>
501c9 Plan	March 1, 2010	<u>\$ 4,615,337</u>	<u>\$ 4,967,671</u>	<u>\$ (352,334)</u>	<u>107.63%</u>	<u>\$11,738,368</u>	<u>-3.00%</u>

The July 1, 2014 Actuarial Valuation for the 501c9 Plan reflected a reduced discount rate assumption from 6.5% to 6%, which is the primary reason for the increase in the Actuarial Accrued Liability (AAL) from the July 1, 2012 valuation. The discount rate assumption was reduced from 8% to 6.5% in the July 1, 2012 valuation which is the primary reason for the increase in the Actuarial Accrued Liability (AAL) from the March 1, 2010 valuation.

The 115 Plan was created in December 2014, thus multi-year information on funding progress will be presented when available.

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

---

	2014
TMWA's portion of net the pension liability	0.2139%
TMWA's proportionate share of the net pension liability	\$ 22,293,306
TMWA's covered-employee payroll	\$ 12,573,558
TMWA's proportional share of the net pension liability as a percentage of its covered-employee payroll	177.30%
Plan fiduciary net position as a percentage of the total pension liability	76.30%

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

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

---

	2015
Statutorily required contribution	\$ 3,629,441
Contributions in relation to the statutorily required contribution	\$ 3,629,441
Contribution (deficiency) excess	\$ -
Employer's covered-employee payroll	\$ 14,077,995
Contributions as a percentage of covered-employee payroll	25.78%

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

This page intentionally left blank.



Supplementary Information  
June 30, 2015

# Truckee Meadows Water Authority



Truckee Meadows Water Authority  
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual  
Year Ended June 30, 2015

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	\$ 85,695,423	\$ 86,186,698	\$ 491,275
Hydroelectric sales	2,251,551	1,366,786	(884,765)
Other operating sales	2,250,675	2,475,832	225,157
Total operating revenues	<u>90,197,649</u>	<u>90,029,316</u>	<u>(168,333)</u>
Operating Expenses			
Salaries and wages	14,682,962	13,763,006	919,956
Employee benefits	6,764,173	5,271,735	1,492,438
Services and supplies	23,935,127	23,180,670	754,457
Total operating expenses before depreciation	<u>45,382,262</u>	<u>42,215,411</u>	<u>3,166,851</u>
Depreciation	<u>30,675,488</u>	<u>27,899,449</u>	<u>2,776,039</u>
Total operating expenses	<u>76,057,750</u>	<u>70,114,860</u>	<u>5,942,890</u>
Operating Income	<u>14,139,899</u>	<u>19,914,456</u>	<u>5,774,557</u>
Nonoperating Revenues (Expenses)			
Investment earnings	2,474,087	2,127,009	(347,078)
Net change in fair value of investments	-	15,970	15,970
Gain on refunding	-	-	-
Gain (loss) on disposal of assets	-	(653,698)	(653,698)
Bond/note issue costs and amortization of bond insurance	(920,714)	(1,004,685)	(83,971)
Interest expense	(21,573,822)	(21,281,117)	292,705
Other nonoperating revenue	300,000	300,000	-
Other nonoperating expense	(900,000)	(3,029,859)	(2,129,859)
Total nonoperating revenues (expenses)	<u>(20,620,449)</u>	<u>(23,526,380)</u>	<u>(2,905,931)</u>
Income (Loss) before Capital Contributions	<u>(6,480,550)</u>	<u>(3,611,924)</u>	<u>2,868,626</u>
Capital Contributions			
Grants	-	276,260	276,260
Water meter retrofit program	656,892	1,013,896	357,004
Developer infrastructure contributions	1,189,188	2,703,092	1,513,904
Developer will-serve contributions (net of refunds)	272,004	1,864,446	1,592,442
Developer capital contributions-other	520,980	1,588,158	1,067,178
Developer facility charges (net of refunds)	1,532,965	2,494,434	961,469
Contributions from others	9,605,400	9,698,535	93,135
Net capital contributions	<u>13,777,429</u>	<u>19,638,821</u>	<u>5,861,392</u>
Special Item			
Washoe County Utility Transfer of Operations	<u>-</u>	<u>231,516,024</u>	<u>231,516,024</u>
Change in Net Position	<u>\$ 7,296,879</u>	<u>247,542,921</u>	<u>\$ 240,246,042</u>
Net Position, Beginning of Year (as restated)		<u>316,331,213</u>	
Net Position, End of Year		<u>\$ 563,874,134</u>	

This page intentionally left blank.

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.

<b><u>Section Contents</u></b>	<b><u>Section No.</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	<b>1-6</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its water sales and other revenues.	<b>7-8</b>
<b>Debt Capacity</b> 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.	<b>9</b>
<b>Demographic and Economic Information</b> 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.	<b>10-12</b>
<b>Operating Information</b> 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.	<b>13-17</b>
<b>Debt Ratios</b> These schedules contain information about changes in the Authority's debt and its debt in relation to service connections.	<b>18-19</b>

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

---

	Fiscal Year			
	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net Position				
Net investment in capital assets	\$ 444,402,572	\$ 232,327,785	\$ 227,319,870	\$ 222,418,497
Restricted	42,158,803	25,198,683	22,644,404	13,678,852
Unrestricted	<u>77,312,759</u>	<u>54,036,550</u>	<u>51,471,349</u>	<u>57,107,888</u>
Total Net Position	<u>\$ 563,874,134</u>	<u>\$ 311,563,018</u>	<u>\$ 301,435,623</u>	<u>\$ 293,205,237</u>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 223,410,534	\$ 220,473,195	\$ 204,972,595	\$ 177,972,803	\$ 152,295,208	\$ 108,459,961
22,873,643	23,515,136	23,947,116	16,387,385	15,707,241	12,684,812
41,907,040	43,968,725	56,186,497	87,278,594	87,347,874	79,963,807
<u>\$ 288,191,217</u>	<u>\$ 287,957,056</u>	<u>\$ 285,106,208</u>	<u>\$ 281,638,782</u>	<u>\$ 255,350,323</u>	<u>\$ 201,108,580</u>

This page intentionally left blank.

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

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

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

	Fiscal Year			
	2015*	2014	2013	2012
Operating Revenues				
Revenues from water sales				
Residential unmetered water sales	\$ 9,366,307	\$ 9,731,811	\$ 10,288,324	\$ 10,899,330
Residential metered water sales	51,796,871	44,137,033	43,957,551	41,476,536
Commercial metered water sales	11,339,953	10,755,824	10,885,539	10,473,659
Irrigation metered & fire protection	11,123,168	10,720,156	11,031,924	10,129,233
Wholesale sales	2,560,399	3,845,593	3,748,276	3,473,100
Total water sales	86,186,698	79,190,417	79,911,614	76,451,858
Hydroelectric revenue	1,366,786	3,045,147	3,557,965	3,519,897
Other operating revenues	2,475,832	2,079,826	2,107,528	1,818,744
Total operating revenues	<u>\$ 90,029,316</u>	<u>\$ 84,315,390</u>	<u>\$ 85,577,107</u>	<u>\$ 81,790,499</u>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 11,611,351	\$ 13,115,143	\$ 14,216,666	\$ 15,310,296	\$ 16,612,010	\$ 18,536,414
37,636,859	35,962,518	34,646,185	34,940,141	35,085,859	30,513,084
10,214,401	10,112,854	9,812,718	10,326,007	10,415,049	10,302,813
9,007,523	8,894,110	8,716,187	8,880,817	9,076,013	8,225,084
2,938,106	3,136,081	2,833,330	3,228,785	3,083,877	2,892,864
71,408,240	71,220,706	70,225,086	72,686,046	74,272,808	70,470,259
3,079,158	2,577,660	2,769,918	2,836,521	3,136,806	2,442,953
1,759,035	1,869,482	2,018,822	2,697,601	3,610,675	3,754,266
<u>\$ 76,246,433</u>	<u>\$ 75,667,848</u>	<u>\$ 75,013,826</u>	<u>\$ 78,220,168</u>	<u>\$ 81,020,289</u>	<u>\$ 76,667,478</u>

	Fiscal Year			
	2015*	2014	2013	2012
Salaries and wages	\$ 13,763,006	\$ 12,007,022	\$ 11,128,162	\$ 11,049,337
Employee benefits	5,271,735	5,045,922	4,819,187	4,537,531
Contract services	6,321,061	4,826,066	4,868,532	5,090,741
Utilities/power	5,449,347	5,189,312	4,571,453	4,432,932
Prof services (general/legal/media/leg)	3,132,132	2,538,097	1,610,614	1,254,751
Supplies	2,572,699	1,736,763	1,522,106	1,155,351
Chemicals	1,554,496	1,383,824	1,333,002	1,361,144
Insurance and claims	684,021	501,300	534,577	608,352
Leases and rentals	79,640	70,196	74,596	84,844
Other expenses	3,387,273	3,802,687	3,810,820	3,645,076
Total operating expenses before depreciation	42,215,411	37,101,189	34,273,048	33,220,057
Depreciation	27,899,449	22,517,885	22,349,225	22,322,217
Total Operating Expenses	<u>\$ 70,114,860</u>	<u>\$ 59,619,074</u>	<u>\$ 56,622,273</u>	<u>\$ 55,542,274</u>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

		Fiscal Year									
		2011	2010	2009	2008	2007	2006				
\$	11,180,101	\$	11,619,701	\$	11,665,974	\$	10,083,912	\$	9,852,372	\$	9,625,252
	4,378,347		4,429,266		4,528,891		3,967,687		3,868,295		3,946,913
	5,488,432		6,623,576		5,848,255		5,489,563		6,054,308		5,427,544
	6,639,620		7,384,879		7,292,830		7,055,167		5,763,686		5,644,007
	1,909,575		2,751,236		2,755,823		2,331,511		2,591,223		2,051,063
	1,112,419		1,319,905		1,496,065		1,427,467		1,456,754		1,185,896
	1,653,424		1,443,177		1,231,681		1,165,321		1,295,165		1,079,829
	647,983		611,405		644,638		645,064		584,651		541,744
	69,472		124,563		-		58,181		189,674		307,562
	3,318,784		3,754,603		4,310,112		4,087,764		3,665,756		3,342,049
	36,398,157		40,062,310		39,774,269		36,311,637		35,321,884		33,151,859
	21,990,618		22,153,951		20,817,485		19,241,869		16,932,768		15,282,973
\$	<u>58,388,775</u>	\$	<u>62,216,261</u>	\$	<u>60,591,754</u>	\$	<u>55,553,506</u>	\$	<u>52,254,652</u>	\$	<u>48,434,832</u>

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

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

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

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

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

Category	2015*		2014	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered <sup>(1)</sup>	--(1)	\$ 9,366,307	--	\$ 9,731,811
Residential Metered	15,151,881	51,796,871	11,581,326	44,137,033
Commercial	4,350,417	11,339,953	3,913,088	10,755,824
Other <sup>(2)</sup>	2,913,757	11,123,168	2,688,389	10,720,156
Wholesale	1,598,995	2,560,399	2,070,593	3,845,593
<b>Total</b>	<b>24,015,050</b>	<b>\$ 86,186,698</b>	<b>20,253,396</b>	<b>\$ 79,190,417</b>
	2013		2012	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered <sup>(1)</sup>	--	\$ 10,288,324	--	\$ 10,899,330
Residential Metered	11,916,455	43,957,551	11,077,177	41,476,536
Commercial	4,083,972	10,885,539	3,902,183	10,473,659
Other <sup>(2)</sup>	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
<b>Total</b>	<b>20,799,458</b>	<b>\$ 79,911,614</b>	<b>19,354,313</b>	<b>\$ 76,451,858</b>
	2011		2010	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered <sup>(1)</sup>	--	\$ 11,611,351	--	\$ 13,115,143
Residential Metered	10,233,494	37,636,859	9,940,587	35,962,518
Commercial	3,925,081	10,214,401	4,642,286	10,112,854
Other <sup>(2)</sup>	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
<b>Total</b>	<b>18,011,521</b>	<b>\$ 71,408,240</b>	<b>17,725,755</b>	<b>\$ 71,220,706</b>
	2009		2008	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered <sup>(1)</sup>	--	\$ 14,216,666	--	\$ 15,310,296
Residential Metered	11,319,330	34,646,185	10,385,949	34,940,141
Commercial	3,051,746	9,812,718	4,547,882	10,326,007
Other <sup>(2)</sup>	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
<b>Total</b>	<b>19,090,120</b>	<b>\$ 70,225,086</b>	<b>19,374,248</b>	<b>\$ 72,686,046</b>
	2007		2006	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered <sup>(1)</sup>	--	\$ 16,612,010	--	\$ 18,536,414
Residential Metered	10,219,912	35,085,859	8,695,642	30,513,084
Commercial	4,397,648	10,415,049	4,365,760	10,302,813
Other <sup>(2)</sup>	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
<b>Total</b>	<b>19,056,764</b>	<b>\$ 74,272,808</b>	<b>17,031,292</b>	<b>\$ 70,470,259</b>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

<sup>(1)</sup> Complete consumption information is not available for unmetered customers.

<sup>(2)</sup> These accounts include irrigation and fire protection/sprinkler systems located on the premises of residential and commercial customers.

Truckee Meadows Water Authority  
Schedule No. 8 – Ten Largest Customers  
June 30, 2015

<u>Customer Name</u>	<u>Water Used (000s Gallons)</u>	<u>Total Revenue</u>	<u>% of Total Water Sales</u>
1 Washoe County	1,249,481	\$ 2,256,501	2.6%
2 City of Reno	317,261	1,164,290	1.4%
3 Sun Valley Water	1,169,380	1,106,030	1.3%
4 Washoe County School District	364,473	1,067,449	1.2%
5 City of Sparks	157,643	532,139	0.6%
6 Nevada Properties (Peppermill)	171,924	418,850	0.5%
7 University of Nevada Reno	157,449	391,243	0.5%
8 GSR Holdings, LLC	195,698	367,232	0.4%
9 Somerset HOA	96,231	325,284	0.4%
10 Renown System	94,442	267,336	0.3%
 Totals	 <u>3,973,982</u>	 <u>\$ 7,896,354</u>	 <u>9.2%</u>

City of Reno includes the Reno Housing Authority.

	Fiscal Year			
	2015*	2014	2013	2012
Operating revenues <sup>(1)</sup>	\$ 86,187	\$ 79,190	\$ 79,912	\$ 76,452
Nonoperating revenues <sup>(2)</sup>	5,970	7,176	7,672	7,643
Gross revenues	92,157	86,366	87,584	84,095
Operation and maintenance expenses <sup>(3)</sup>	41,875	35,850	36,672	33,851
Contribution to water rate stabilization	-	-	-	-
Taxes other than income taxes <sup>(4)</sup>	443	440	429	422
Total expenses	42,318	36,290	37,101	34,273
Net Revenues	\$ 49,839	\$ 50,076	\$ 50,483	\$ 49,822
Senior Lien Annual Debt Service <sup>(5)</sup>	\$ 29,955	\$ 31,285	\$ 29,672	\$ 21,295
Senior Lien Debt Coverage excluding SDCs	1.66	1.60	1.70	2.34
System Development Charges (SDCs):				
Developer facility charges	\$ 2,494	\$ 964	\$ 1,048	\$ 263
Developer capital contributions - other	1,588	410	470	153
Senior Lien Debt Coverage including SDCs <sup>(6)</sup>	1.80	1.64	1.75	2.36

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> 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 2001A 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.

<sup>(6)</sup> 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 ratio would be 1.52x.

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

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 71,408	\$ 71,221	\$ 70,225	\$ 72,686	\$ 74,272	\$ 70,470
7,253	6,669	9,197	13,822	14,451	12,487
<u>78,661</u>	<u>77,890</u>	<u>79,422</u>	<u>86,508</u>	<u>88,723</u>	<u>82,957</u>
32,802	35,979	39,646	39,342	35,855	34,869
-	-	-	-	-	-
418	419	416	432	457	453
<u>33,220</u>	<u>36,398</u>	<u>40,062</u>	<u>39,774</u>	<u>36,312</u>	<u>35,322</u>
<u>\$ 45,441</u>	<u>\$ 41,492</u>	<u>\$ 39,360</u>	<u>\$ 46,734</u>	<u>\$ 52,411</u>	<u>\$ 47,635</u>
<u>\$ 31,191</u>	<u>\$ 31,124</u>	<u>\$ 31,420</u>	<u>\$ 31,427</u>	<u>\$ 33,525</u>	<u>\$ 31,202</u>
<u>1.46</u>	<u>1.33</u>	<u>1.25</u>	<u>1.49</u>	<u>1.56</u>	<u>1.53</u>
\$ 253	\$ 438	\$ 774	\$ 3,412	\$ 5,684	\$ 7,394
127	185	541	2,401	5,802	6,515
<u>1.47</u>	<u>1.35</u>	<u>1.29</u>	<u>1.67</u>	<u>1.91</u>	<u>1.97</u>

This page intentionally left blank.

Truckee Meadows Water Authority  
 Schedule No. 10 – Schedule of Total Building Permits Issued  
 By Jurisdiction/Member Entity  
 Last Ten Fiscal Years

---

<u>Fiscal Year</u>	<u>Washoe County</u>	<u>City of Reno</u>	<u>City of Sparks</u>
2015	1,807	4,792	3,581
2014	1,669	4,316	2,579
2013	1,516	3,214	2,393
2012	1,578	2,917	2,463
2011	1,272	2,919	1,763
2010	1,279	3,030	2,007
2009	1,586	3,592	2,579
2008	2,222	4,744	3,636
2007	2,829	6,737	4,544
2006	3,492	9,947	6,067

Source: As reported by each local governmental entity.

Fiscal Year	Population <sup>(1)</sup>	Per Capita Income <sup>(2)</sup>	Median Age <sup>(3)</sup>	School Enrollment <sup>(4)</sup>	Total Personal Income <sup>(2)</sup>	Unemployment Rate (Percent) <sup>(5)</sup>
2015	441,165	\$ 48	37.4	63,108	\$ 19,077,000	6.40%
2014	436,647	48	37.6	62,986	18,833,000	7.20%
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	37.0	62,452	17,421,365	13.6%
2009	416,632	45	36.4	63,310	18,550,337	11.7%
2008	423,833	46	36.5	63,635	19,392,856	6.8%
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%

Sources:

- <sup>(1)</sup> Nevada State Demographer (adjusted after 2010 census).
- <sup>(2)</sup> U.S. Department of Commerce, Bureau of Economic Analysis; 2006 and prior. As of 2007, Washoe County Community Development Demographic Information.
- <sup>(3)</sup> Nevada State Demographer 2005-2007; Center for Regional Studies, UNR, 2008-2014.
- <sup>(4)</sup> Washoe County School District.
- <sup>(5)</sup> State Department of Employment, Training and Rehabilitation (DETR).
- <sup>(6)</sup> Washoe County Building and Safety Department.
- <sup>(7)</sup> Nevada State Department of Taxation.
- <sup>(8)</sup> Nevada State Gaming Control Board.
- <sup>(9)</sup> Reno/Tahoe International Airport.

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

Total Labor Force <sup>(5)</sup>	Construction Activity Total Value <sup>(6)</sup>	Number of New Family Units <sup>(6)</sup>	Taxable Sales <sup>(7)</sup>	Gross Income Gaming Revenue <sup>(8)</sup>	Total Passenger Air Traffic <sup>(9)</sup>
228,430	\$ 246,627,580	255	\$ 6,817,588,648	\$ 765,248,320	3,297,642
222,607	225,096,997	198	6,370,684,534	744,962,250	3,312,839
219,607	126,468,377	159	5,824,726,136	741,038,030	3,514,421
221,764	95,875,949	83	5,522,605,351	738,151,877	3,561,557
212,480	67,721,019	55	5,282,935,192	751,466,957	3,795,421
221,954	55,952,010	35	5,176,981,699	788,545,658	3,777,701
224,089	85,657,662	103	5,707,791,051	867,202,273	3,979,015
221,785	202,519,159	240	6,823,701,000	996,615,975	4,841,257
222,610	225,084,828	557	7,202,640,557	1,069,608,365	5,014,382
219,400	307,685,955	851	7,268,593,250	1,072,936,817	5,149,700

This page intentionally left blank.

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

Employer	June 30, 2015			June 30, 2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Washoe County School District	8,750	1	4.51%	8,250	1	3.79%
University of Nevada - Reno	4,750	2	2.19%	4,750	2	2.18%
Renown Regional Medical Center	2,750	3	1.42%	2,250	5	1.03%
Washoe County	2,750	4	1.42%	2,750	3	1.26%
Peppermill Hotel-Casino	2,250	5	1.16%	1,750	7	0.80%
International Game Technology	1,750	6	0.90%	2,750	4	1.26%
Silver Legacy Resort Casino	1,750	7	0.90%	2,250	6	1.03%
Atlantis Casino Resort	1,750	8	0.90%	1,750	8	0.80%
Grand Sierra Resort (Reno Hilton)	1,750	9	0.90%	1,750	9	0.80%
Eldorado Hotel & Casino	1,250	10	0.64%	-	-	-
City of Reno				-	10	0.80%
Total Washoe Covered Employment	194,179			217,493		

Source:

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

Customers by Category as of June 30, 2015*				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	6,224	5.2%	\$ 9,366,307	10.9%
Residential Metered	100,446	83.1%	51,796,871	60.1%
Commercial and Irrigation	9,648	8.0%	11,339,953	13.2%
Other <sup>(2)</sup>	4,528	3.7%	11,123,168	12.9%
Wholesale	2	0.0%	2,560,399	3.0%
<b>Total</b>	<b>120,848</b>	<b>100.0%</b>	<b>\$ 86,186,698</b>	<b>100.0%</b>
Customers by Category as of June 30, 2014				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	6,379	6.7%	\$ 9,731,811	12.3%
Residential Metered	76,422	80.0%	44,137,033	55.7%
Commercial and Irrigation	8,743	9.1%	10,755,824	13.6%
Other <sup>(2)</sup>	4,008	4.3%	10,720,156	13.5%
Wholesale	2	0.0%	3,845,593	4.9%
<b>Total</b>	<b>95,554</b>	<b>100.0%</b>	<b>\$ 79,190,417</b>	<b>100.0%</b>
Customers by Category as of June 30, 2013				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	6,927	7.3%	\$ 10,288,324	12.9%
Residential Metered	75,113	79.3%	43,957,551	55.0%
Commercial and Irrigation	8,702	9.2%	10,885,539	13.6%
Other <sup>(2)</sup>	3,965	4.2%	11,031,924	13.8%
Wholesale	2	0.0%	3,748,276	4.7%
<b>Total</b>	<b>94,709</b>	<b>100.0%</b>	<b>\$ 79,911,614</b>	<b>100.0%</b>
Customers by Category as of June 30, 2012				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	7,699	8.2%	\$ 10,899,330	14.3%
Residential Metered	73,836	78.3%	41,476,536	54.3%
Commercial and Irrigation	8,695	9.2%	19,245,940	25.2%
Other <sup>(2)</sup>	4,088	4.3%	1,356,952	1.8%
Wholesale	2	0.0%	3,473,100	4.5%
<b>Total</b>	<b>94,320</b>	<b>100.0%</b>	<b>\$ 76,451,858</b>	<b>100.0%</b>
Customers by Category as of June 30, 2011				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	8,685	9.3%	\$ 11,611,351	16.3%
Residential Metered	72,457	77.3%	37,636,859	52.7%
Commercial and Irrigation	8,564	9.1%	17,921,409	25.1%
Other <sup>(2)</sup>	4,078	4.3%	1,300,515	1.8%
Wholesale	2	0.0%	2,938,106	4.1%
<b>Total</b>	<b>93,786</b>	<b>100.0%</b>	<b>\$ 71,408,240</b>	<b>100.0%</b>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

Customers by Category as of June 30, 2010				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	10,403	11.1%	\$ 13,115,143	18.4%
Residential Metered	70,556	75.6%	35,962,518	50.5%
Commercial and Irrigation	8,465	9.1%	17,872,178	25.1%
Other <sup>(2)</sup>	3,943	4.2%	1,134,786	1.6%
Wholesale	7	0.0%	3,136,081	4.4%
<b>Total</b>	<b>93,374</b>	<b>100.0%</b>	<b>\$ 71,220,706</b>	<b>100.0%</b>
Customers by Category as of June 30, 2009				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential -Unmetered	12,590	13.5%	\$ 14,216,666	20.2%
Residential Metered	68,557	73.4%	34,646,185	49.3%
Commercial and Irrigation	8,397	9.0%	17,573,511	25.0%
Other <sup>(2)</sup>	3,808	4.1%	955,394	1.4%
Wholesale	7	0.0%	2,833,330	4.0%
<b>Total</b>	<b>93,359</b>	<b>100.0%</b>	<b>\$ 70,225,086</b>	<b>100.0%</b>
Customers by Category as of June 30, 2008				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	14,063	15.1%	\$ 15,310,296	21.1%
Residential Metered	67,357	72.3%	34,940,141	48.1%
Commercial and Irrigation	8,203	8.8%	18,305,887	25.2%
Other <sup>(2)</sup>	3,595	3.9%	900,937	1.2%
Wholesale	7	0.0%	3,228,785	4.4%
<b>Total</b>	<b>93,225</b>	<b>100.0%</b>	<b>\$ 72,686,046</b>	<b>100.0%</b>
Customers by Category as of June 30, 2007				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
Residential-Unmetered	15,488	16.7%	\$ 16,612,010	22.4%
Residential Metered	65,749	70.9%	35,085,859	47.2%
Commercial and Irrigation	7,966	8.6%	18,602,007	25.0%
Other <sup>(2)</sup>	3,469	3.7%	889,055	1.2%
Wholesale	7	0.0%	3,083,877	4.2%
<b>Total</b>	<b>92,679</b>	<b>100.0%</b>	<b>\$ 74,272,808</b>	<b>100.0%</b>
Customers by Category as of June 30, 2006				
Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues <sup>(1)</sup>	% of Total Revenues
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 <sup>(2)</sup>	3,407	3.7%	857,293	1.2%
Wholesale	7	0.0%	2,892,864	4.1%
<b>Total</b>	<b>91,411</b>	<b>100.0%</b>	<b>\$ 70,470,259</b>	<b>100.0%</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Includes private fire protection services located on the premises of commercial and some residential customers

This page intentionally left blank.

Truckee Meadows Water Authority  
 Schedule No. 14 – Schedule of Insurance Coverage  
 June 30, 2015

Coverage	Carrier/Policy	Term	Limits/Deductible
Property/Boiler and Machinery Policy	Lexington Insurance Company	6/11/2015 to 6/11/2016	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	6/11/2015 to 6/11/2016	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	6/11/2015 to 6/11/2016	\$20,000,000 excess liability limit.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/2015 to 6/11/2016	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	6/11/2015 to 6/11/2016	Varies by plan selected.

---

	Fiscal Year			
	2015*	2014	2013	2012
Administration/IT	22	20	18	20
Supply/Treatment Operations	30	31	26	27
Distribution Maintenance	62	48	45	44
Hydroelectric	6	6	7	8
Customer Service/Conservation	24	20	26	33
Water Planning/Resources	19	13	15	12
Engineering/Construction	23	14	15	11
Total Authorized Employees	<u>186</u>	<u>152</u>	<u>152</u>	<u>155</u>

\* Fiscal Year 2015 reflects changes as a result of the water utility consolidation as discussed in MD&A and notes to financials.

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

Truckee Meadows Water Authority  
 Schedule No. 15 – Number of Employees by Identifiable Activity  
 Last Ten Fiscal Years

Fiscal Year					
2011	2010	2009	2008	2007	2006
22	22	25	23	15	12
28	28	32	28	32	34
42	45	45	45	44	43
7	5	6	7	7	7
28	41	42	39	33	31
13	14	11	10	11	10
14	15	17	22	27	27
<u>154</u>	<u>170</u>	<u>178</u>	<u>174</u>	<u>169</u>	<u>164</u>

Customer Charges By Meter Size	Fiscal Year					
	2015*			2014	2013	
	TMWA	WC	STMGID			
3/4"	\$ 18.54	\$ 17.43	\$ 9.49	\$ 18.54	\$ 17.12	
1"	20.40	22.42	11.61	20.40	18.80	
1 1/2"	23.20	32.07	16.47	23.20	21.40	
2"	26.90	42.76	n/a	26.90	24.80	
3"	30.60	68.85	n/a	30.60	28.20	
4"	35.20	100.84	n/a	35.20	32.50	
6"	40.80	183.85	n/a	40.80	37.70	

Commodity Charge (all meter sizes)

TMWA Tier 1	1.72			1.72	1.72
TMWA Tier 2	2.78			2.78	2.78
TMWA Tier 3	3.25			3.25	3.25
WC Tier 1		2.62			
WC Tier 1		3.27			
WC Tier 1		3.93			
WC Tier 1		5.25			
STMGID Tier 1			1.36		
STMGID Tier 2			1.80		
STMGID Tier 3			2.21		
STMGID Tier 4			2.58		
STMGID Tier 5			2.73		

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$ 100.63	\$ 89.82	\$ 44.91	\$ 100.63	\$ 94.10
1"	144.90	90.18	44.91	144.90	135.50
1 1/2"	262.60	92.12	44.91	262.60	245.60
2"	374.30	93.55	44.91	374.30	350.10
3"	469.90	94.96	44.91	469.90	439.40
4"	595.70	99.18	44.91	595.70	557.10
6"	n/a	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service.

\*TMWA rates took effect on June 11, 2001, and were revised effective May 2009, May 2010, February 2012, and February 2014.

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

Truckee Meadows Water Authority  
Schedule No. 16 – Current and Historical Water Rates  
Last Ten Fiscal Years

		Fiscal Year							
		2012	2011	2010	2009	2008	2007	2006	
\$	17.12	\$	15.70	\$	15.70	\$	15.70	\$	15.70
	18.80		17.30		17.30		17.20		17.20
	21.40		19.60		19.60		19.60		19.60
	24.80		22.80		22.80		22.80		22.80
	28.20		25.90		25.90		25.90		25.90
	32.50		29.80		29.80		29.80		29.80
	37.70		34.50		34.50		34.50		34.50
	1.72		1.72		1.72		1.63		1.58
	2.78		2.78		2.78		2.64		2.50
	3.25		3.25		3.25		3.05		2.91
\$	94.10	\$	86.30	\$	86.30	\$	84.20	\$	74.90
	135.50		124.30		124.30		121.20		106.20
	245.60		225.20		225.20		219.80		184.90
	350.10		321.00		321.00		313.20		264.10
	439.40		403.00		403.00		393.20		331.90
	557.10		510.00		510.00		498.50		420.30
	n/a		n/a		n/a		n/a		n/a

---

	Fiscal Year			
	2015*	2014	2013	2012
Miles of water mains	1,915	1,341	1,337	1,352
Number of storage tanks	93	42	42	42
Number of Finished Water Storage	2	2	2	2
Number of pump stations	112	93	94	95
Number of wells	86	32	32	32
Treatment capacity (millions of gallons/day)				
Glendale Plant	37.5	37.5	37.5	37.5
Chalk Bluff	95	95	95	95
Longley Lane	4			

\*Fiscal year 2015 reflects additions as a result of the water utility consolidation as discussed in MD&A and the notes to financials.

MGD = millions of gallons per day

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

Fiscal Year						
2011	2010	2009	2008	2007	2006	
1,339	1,332	1,330	1,310	1,258	1,252	
42	42	42	38	37	35	
2	2	2	2	2	2	
94	96	108	96	97	96	
32	32	32	32	33	33	
25	25	25	25	25	25	
95	95	89	89	89	89	

	Final Maturity Date	Authorized	Balance June 30, 2015	Balance June 30, 2014	Balance June 30, 2013
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2034	\$ 448,810,000	\$ -	\$ -	\$ -
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	2,860,578	3,099,675	3,331,277
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	890,000	34,795,000	35,620,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,415,000	148,785,000	149,140,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,800,000	215,285,000	215,745,000
2009 Water Revenue DWSRF ARRA (Tax Exempt Bonds 0.00%	7/1/2029	2,401,120	1,793,196	1,916,866	2,040,534
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	9,435,000	19,855,000	28,240,000
2010 Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,981,798	4,184,928	4,381,614
2014 Water Revenue DWSRF (Tax Exempt) Bonds	1/1/2015	9,109,437	8,733,487	-	-
2015 Water Revenue (Tax Exempt) Refunding Bonds	5/14/2015	28,750,000	28,750,000	-	-
Subtotal			419,659,059	427,921,468	438,498,425
Less unamortized net bond discount (premium)			(3,673,290)	(35,590)	(661,198)
Total debt before tax exempt commercial paper			423,332,349	427,957,058	439,159,623
Tax-Exempt Commercial Paper		160,000,000	95,000,000	68,000,000	68,000,000
Total Debt			\$ 518,332,349	\$ 495,957,058	\$ 507,159,623

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

<u>Balance</u> <u>June 30, 2012</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Balance</u> <u>June 30, 2006</u>
\$ -	\$ 8,810,000	\$ 28,590,000	\$ 66,035,000	\$ 73,600,000	\$ 80,795,000	\$ 299,920,000
-	-	-	-	-	-	-
3,555,620	3,772,931	3,983,431	4,187,333	4,384,844	4,576,165	4,669,565
36,415,000	37,180,000	37,920,000	38,635,000	39,330,000	40,000,000	40,000,000
149,485,000	149,815,000	150,135,000	150,445,000	150,745,000	150,745,000	150,745,000
216,185,000	216,605,000	217,005,000	217,385,000	217,745,000	218,975,000	-
2,164,202	2,282,661	2,309,945	-	-	-	-
28,240,000	28,240,000	28,240,000	-	-	-	-
4,381,614	3,921,904	201,110	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
440,426,436	450,627,496	468,384,486	476,687,333	485,804,844	495,091,165	495,334,565
(1,286,806)	(3,440,321)	(4,371,510)	(2,267,963)	(2,672,587)	(3,077,212)	3,042,065
441,713,242	454,067,817	472,755,996	478,955,296	488,477,431	498,168,377	492,292,500
79,400,000	79,400,000	68,000,000	68,000,000	68,000,000	43,000,000	-
<u>\$ 521,113,242</u>	<u>\$ 533,467,817</u>	<u>\$ 540,755,996</u>	<u>\$ 546,955,296</u>	<u>\$ 556,477,431</u>	<u>\$ 541,168,377</u>	<u>\$ 492,292,500</u>

---

	Fiscal Year			
	2015	2014	2013	2012
Total Debt	\$ 518,332,349	\$ 495,957,058	\$ 507,159,623	\$ 519,826,436
Total Service Connections	114,529	89,070	88,268	87,464
Debt per Service Connection	\$ 4,526	\$ 5,568	\$ 5,746	\$ 5,943

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

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

---

Fiscal Year					
2011	2010	2009	2008	2007	2006
\$ 530,027,496	\$ 536,384,486	\$ 544,687,333	\$ 553,804,844	\$ 538,091,165	\$ 495,334,565
87,013	86,781	86,948	87,163	86,986	84,055
\$ 6,091	\$ 6,181	\$ 6,265	\$ 6,354	\$ 6,186	\$ 5,893

This page intentionally left blank.



**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with 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 year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated January 7, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered TMWA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as 2015-A that we consider to be a significant deficiency.



**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*.

**TMWA's Response to Finding**

TMWA's response to the finding identified in our report is described in the accompanying schedule of findings and responses. TMWA's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

**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.

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

Reno, Nevada  
January 7, 2016



**2015-A**      **Preparation of Financial Statements**  
**Significant Deficiency**

<i>Criteria</i>	Internal controls should provide reasonable assurance that TMWA's financial statements are accurately prepared in accordance with generally accepted accounting principles.
<i>Condition</i>	<p>In conjunction with completion of our audit, we were requested to assist in drafting portions of TMWA's financial statements and related footnote disclosures. This request by TMWA management was to assist with the preparation of those portions of the financial statements and footnotes surrounding TMWA's merger of the South Truckee Meadows General Improvement District and the transfer of operations of the Washoe County Department of Water Resources given the complexities of financial reporting for these government combinations in accordance with GASB Statement No. 69.</p> <p>In addition, during our audit of those portions of the financial statements and related footnote disclosures that were prepared by TMWA management, we had certain corrections in presentation and disclosure of the financial statements in order for them to be in accordance with generally accepted accounting principles.</p>
<i>Effect</i>	TMWA's financial statements would not have been accurately prepared in accordance with generally accepted accounting principles without auditor assistance.
<i>Cause</i>	Due to shortage of personnel within the accounting department that possess the ability to prepare full disclosure financial statements, financial statement preparation is primarily the responsibility of TMWA management. As a result, there is a lack of segregation of duties sufficient to provide a secondary level of review of TMWA's financial statements and related footnote disclosures.
<i>Recommendation</i>	Although a request for assistance in preparing financial statements is not unusual during years of financial reporting for complex, non-recurring activities, we recommend TMWA staff obtain training and enhance their skills in financial reporting. Such training in financial reporting should enhance internal controls over financial reporting through segregation of duties; such that TMWA staff has ability to prepare the financial statements and TMWA management can then be in a position to provide secondary review of those financial statements to provide reasonable assurance they are accurately prepared in accordance with generally accepted accounting principles.
<i>Management's Response</i>	Management recognizes the aforementioned recommendation and as a result of the retirement of the current incumbent Chief Financial Officer, who is the only person in the accounting finance group with financial reporting experience, two persons who are certified public accountants have been hired to provide for the levels of preparation and review of future financial statements. The addition of two certified accounting personnel will allow adequate time to obtain necessary training.

This page intentionally left blank.

## **Auditor's Comments**

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

In connection with our audit of the financial statements of the Truckee Meadows Water Authority (TMWA) as of and for the year ended June 30, 2015, and the related notes to the financial statements, nothing came to our attention that caused us to believe that TMWA failed to comply with the specific requirements of Nevada Revised Statutes cited below. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding TMWA's noncompliance with the requirements of Nevada Revised Statutes cited below, insofar as they relate to accounting matters.

### **Statute Compliance**

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

### **Progress on Prior Year Statute Compliance**

TMWA conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2014.

### **Prior Year Recommendations**

There were no recommendations made in the audit report for the year ended June 30, 2014.

### **Current Year Recommendations**

There were no specific recommendations made in the audit report for the year ended June 30, 2015.



Reno, Nevada  
January 7, 2016