



To: TMWA Board of Directors  
From: Jeff Tissier, Chief Financial Officer  
Date: September 29, 2014  
Subject: **Unaudited Financial Report for Fiscal Year Ended June 30, 2014**

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### **Recommendation**

The Truckee Meadows Water Authority (TMWA) Board accepts the unaudited financial report for the fiscal year ended June 30, 2014.

### **Discussion**

The intent of this report is to provide a very brief overview of TMWA's financial performance for the fiscal year 2014. This report is being presented in advance of the annual audited financial statements to bring financial highlights to the TMWA Board in a timely manner. Referenced in this report are the fiscal year 2014 Schedule of Revenues, Expenses, and Changes in Net Position Budget to Actual, **Attachment A-1**; Comparative Schedule of Revenue Expenses and Changes in Net Position, **Attachment A-2**; and Statements of Net Position **Attachment A-3**.

The presentation is based on financial information available as of September 24, 2014. The aforementioned statements will be the presentation used as the basis for the annual financial audit.

Overall financial performance for the fiscal year ended June 30, 2014 was excellent relative to budget, refer to **Attachment A-1**. Total operating revenues were approximately \$84.3 million and \$5.5 million or 7.0% greater than the budget. The current year favorable revenue variance was due to the confluence of unique weather conditions for water sales and optimal hydroelectric production in light of declining river flows. Although water sales continued to be strong, hydroelectric revenue was beginning to see the effects of declining surface water supplies as the current drought cycle persists. Water sales were \$79.2 million and \$4.7 million or 6.3% greater than budget. This was due to higher water demands, a result of infrequent warmer weather patterns than usually experienced. The effect of weather on TMWA water sales cannot be underestimated since the budget reflected water sale projections based upon cooler weather patterns experienced in fiscal years 2009 through 2011. Hydroelectric revenues were \$0.4 million or 14.2% greater than budget due to more favorable than planned river flows and very well managed plant availabilities. Other miscellaneous water sales were \$0.5 million or 31.2% greater than budget due to greater amounts of inspection fees for new business,

remediation district reimbursement and various miscellaneous charges for late payments and move-in move-out reconnection fees.

Total operating expenses before depreciation were \$36.3 million, \$1.7 million or 4.4% less than budget. This level of operational spending was experienced back in fiscal year 2007. Lower spending was experienced in salaries, wages, employee benefits, and to a much lesser degree on services and supplies. Lower spending in employee expenses was due to managing positions and lower than expected benefit spending on retirement contributions and health care as a result of vacant positions and no increases in health premiums. Spending on services and supplies was essentially on budget and the spending variance was not attributable to any particular expense category.

Depreciation expense was \$0.6 million or 2.7% less than budget. This was due to \$4.1 million less in capital spending in fiscal year 2014. TMWA's augmented capital budget anticipated \$21.5 million in capital spending. TMWA experienced \$17.4 million in actual spending. The most significant construction projects, those greater than \$1.0 million, were significant modifications to the Glendale Water Treatment Plant control room, reconstruction of the Sun Valley #2 pump station, and completing Nevada Administrative Code upgrades to TMWA production wells.

Net non-operating revenues and expense were virtually on budget. Developer contributions were significantly higher than planned. TMWA is now experiencing more developer activity although muted in comparison to years before the recession. TMWA's policy has never to be dependent on developer fees to fund existing operations and fund principal and interest payments on TMWA's outstanding indebtedness. Prior to the end of fiscal year 2014 TMWA was awarded another \$2.0 million in federal grant assistance for the implementation of the Truckee River Operating Agreement (TROA).

Briefly, Comparative Schedule of Revenues, Expenses and Changes in Net Position referenced as **Attachment A-2**, highlight differences in financial performance between fiscal years ended June 30, 2014 and 2013. Operating revenues were \$1.3 million behind record operating revenues in fiscal year 2013. In fiscal year 2013 hydroelectric revenues and megawatt production hit all-time record highs. TMWA operating expenses for fiscal year 2014 was \$0.9 million less than in fiscal year 2013. Fiscal year 2013 experienced a number of emergency projects at Independence Dam, at Fleish Flume with rock-fall restraints, and significant number of water main leaks. Net non-operating expenses were very similar between fiscal years. Of particular interest is in the area of developer contributions which were significantly higher in fiscal year 2014 versus fiscal year 2013. This is due to obvious uptick in residential construction activity.

Referencing the Comparative Statements of Net Position, *Attachment A-3*, total cash and investments as of June 30, 2014 was approximately \$136.2 million of which approximately \$75 million was restricted by bond indenture requirements and the remaining balance of \$61.2 million was available to pay for future operating and maintenance expenses, construction spending, future debt payments, and potentially commercial paper redemptions. Unrestricted cash increased year over year by \$1.2 million because of excellent operating cash flow as a result of less operating expenses and increase in non-operating revenues in the area of cash developer contributions.

**TRUCKEE MEADOWS WATER AUTHORITY**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - ACTUAL TO BUDGET**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Final Approved Budget	Actual	Variance
<b>OPERATING REVENUES</b>			
Charges for water sales	\$ 74,515,839	\$ 79,190,417	\$ 4,674,578
Hydroelectric sales	2,667,008	3,045,147	378,139
Other operating sales	1,585,000	2,079,826	494,826
	<u>78,767,847</u>	<u>84,315,390</u>	<u>5,547,543</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	12,733,440	11,855,796	877,644
Employee benefits	5,937,372	5,127,921	809,451
Services and supplies	19,299,007	19,305,945	(6,938)
	<u>37,969,819</u>	<u>36,289,662</u>	<u>1,680,157</u>
Depreciation	23,678,184	23,028,198	649,986
	<u>61,648,003</u>	<u>59,317,860</u>	<u>2,330,143</u>
Operating Income	<u>17,119,844</u>	<u>24,997,530</u>	<u>7,877,686</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants	-	343,628	343,628
Investment earnings	2,169,169	2,051,156	(118,013)
Net (decrease) in fair value of investments	-	(13,139)	(13,139)
Gain (Loss) on disposal of assets	-	(136,300)	(136,300)
Amortization of bond/note issuance costs	(845,058)	(936,664)	(91,606)
Interest expense	(21,341,922)	(21,282,412)	59,510
Other non-operating revenue	150,000	180,000	30,000
Other non operating expense	(240,000)	(248,980)	(8,980)
	<u>(20,107,811)</u>	<u>(20,042,711)</u>	<u>65,100</u>
Income (Loss) before Capital Contributions	<u>(2,987,967)</u>	<u>4,954,819</u>	<u>7,942,786</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Water meter retrofit program	145,980	479,488	333,508
Developer infrastructure contributions	264,264	1,723,023	1,458,759
Developer will-serve contributions (net of refunds)	114,696	1,529,129	1,414,433
Developer capital contributions-other	138,216	410,447	272,231
Developer facility charges (net of refunds)	247,548	963,660	716,112
Contributions from others	-	66,829	66,829
Contributions from other governments	-	-	-
	<u>910,704</u>	<u>5,172,576</u>	<u>4,261,872</u>
Change in Net Position	<u>\$ (2,077,263)</u>	<u>10,127,395</u>	<u>\$ 12,204,658</u>
<b>NET POSITION , BEGINNING OF YEAR</b>		<u>301,435,623</u>	
<b>NET POSITION , END OF YEAR</b>		<u>\$ 311,563,018</u>	

**TRUCKEE MEADOWS WATER AUTHORITY**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - ACTUAL TO ACTUAL**  
**FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Charges for water sales	\$ 79,190,417	\$ 79,911,614
Hydroelectric sales	3,045,147	3,557,965
Other operating sales	<u>2,079,826</u>	<u>2,107,528</u>
Total Operating Revenues	<u>84,315,390</u>	<u>85,577,107</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	11,855,796	12,007,022
Employee benefits	5,127,921	5,045,922
Services and supplies	<u>19,305,945</u>	<u>20,048,245</u>
Total Operating Expenses before Depreciation	36,289,662	37,101,189
Depreciation	<u>23,028,198</u>	<u>22,517,885</u>
Total Operating Expenses	<u>59,317,860</u>	<u>59,619,074</u>
Operating Income	<u>24,997,530</u>	<u>25,958,033</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grants	343,628	208,227
Investment earnings	2,051,156	2,007,375
Net (decrease) in fair value of investments	(13,139)	(17,119)
Gain (Loss) on disposal of assets	(136,300)	(21,463)
Amortization of bond/note issuance costs	(936,664)	(852,069)
Interest expense	(21,282,412)	(21,791,975)
Other non-operating revenue	180,000	163,057
Other non operating expense	<u>(248,980)</u>	<u>(163,057)</u>
Total Nonoperating Revenues (Expenses)	<u>(20,042,711)</u>	<u>(20,467,024)</u>
Income (Loss) before Capital Contributions	<u>4,954,819</u>	<u>5,491,009</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Water meter retrofit program	479,488	174,698
Developer infrastructure contributions	1,723,023	702,699
Developer will-serve contributions (net of refunds)	1,529,129	201,871
Developer capital contributions-other	410,447	469,732
Developer facility charges (net of refunds)	963,660	1,047,715
Contributions from others	<u>66,829</u>	<u>142,662</u>
Net Capital Contributions	<u>5,172,576</u>	<u>2,739,377</u>
Change in Net Position	10,127,395	8,230,386
<b>NET POSITION , BEGINNING OF YEAR</b>	<u>301,435,623</u>	<u>293,205,237</u>
<b>NET POSITON , END OF YEAR</b>	<u>\$ 311,563,018</u>	<u>\$ 301,435,623</u>

**TRUCKEE MEADOWS WATER AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014 AND 2013**  
**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 61,234,305	\$ 59,996,453
Accounts receivable, net	12,337,397	12,457,982
Due from others	404,569	329,612
Due from other governments	802,926	434,272
Interest receivable	1,086,131	1,096,422
Prepaid assets	851,165	832,787
	<u>76,716,493</u>	<u>75,147,528</u>
<b>RESTRICTED CURRENT ASSETS</b>		
Cash and investments:		
Water meter retrofit program	840,381	446,699
Current bond debt service	21,707,547	19,848,303
	<u>22,547,928</u>	<u>20,295,002</u>
Total Current Assets	<u>99,264,421</u>	<u>95,442,530</u>
<b>RESTRICTED NONCURRENT ASSETS</b>		
Cash and investments:		
Future bond debt service	33,633,502	33,633,502
Operations and maintenance	6,328,302	6,272,705
Renewal and replacement	10,000,000	10,000,000
Water rate stabilization	500,000	500,000
Hydro asset purchase	2,000,000	2,000,000
	<u>52,461,804</u>	<u>52,406,207</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, not depreciated	111,758,439	109,993,398
Capital assets, depreciated	554,971,404	561,114,371
Due from developers	-	-
Deferred charges	1,088,622	1,149,177
	<u>667,818,465</u>	<u>672,256,946</u>
Total Noncurrent Assets	<u>720,280,269</u>	<u>724,663,153</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred amount on bond refundings	7,107,157	9,656,505
Total Assets and Deferred Outflow of Resources	<u>\$ 826,651,847</u>	<u>\$ 829,762,188</u>
	<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED</b>		
<b>CURRENT ASSETS</b>		
Accounts payable	\$ 1,540,382	\$ 2,678,449
Contracts and retention payable	1,544,660	2,277,284
Accrued liabilities	2,999,982	2,756,941
Due to other governments	1,833,489	1,994,019
Accrued interest payable	123,120	152,539
Current portion of long term debt	68,565,895	68,551,957
Customer deposits and amounts due to developers	1,512,591	1,484,407
	<u>78,120,119</u>	<u>79,895,596</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED</b>		
<b>CURRENT ASSETS</b>		
Current portion of long term debt	12,130,000	10,025,000
Interest payable	9,577,547	9,823,303
	<u>21,707,547</u>	<u>19,848,303</u>
Total Current Liabilities	<u>99,827,666</u>	<u>99,743,899</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	415,261,163	428,582,666
Total Liabilities	<u>515,088,829</u>	<u>528,326,565</u>
<b>NET POSITION</b>		
Net investment in capital assets	232,327,785	227,319,870
Restricted for water meter retrofit program	840,381	446,699
Restricted for debt service	12,130,000	10,025,000
Restricted for operations and maintenance reserve	1,728,302	1,672,705
Restricted for renewal and replacement reserve	10,000,000	10,000,000
Restricted for water rate stabilization	500,000	500,000
Unrestricted	54,036,550	51,471,349
Total Net Position	<u>311,563,018</u>	<u>301,435,623</u>
Total Liabilities and Net Position	<u>\$ 826,651,847</u>	<u>\$ 829,762,188</u>