



To: TMWA Board of Directors
From: Jeff Tissier, Chief Financial Officer
Date: December 2, 2014
Subject: **Discussion and action on adoption of Resolution No. 221 approving the Comprehensive Annual Financial Report for Fiscal Year 2014**

Recommendation

TMWA staff recommends that the Board approve by resolution the *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2014 and direct the Chief Financial Officer to forward the appropriate documentation to the State of Nevada Department of Taxation within the prescribed deadline.

Background

Pursuant to NRS 354.624, Truckee Meadows Water Authority (TMWA) is required to conclude an audit before November 30, 2014, and submit the audit report to the governing body not later than six months after the close of the fiscal year for which the audit is conducted.

The CAFR for the fiscal year ended June 30, 2014, includes the letter of transmittal, management's discussion and analysis, the audit report, the financial statements, required supplementary information, supplementary information, statistical schedules and the compliance section.

The financial statements include the Statement of Net Position (Balance Sheet) of the Truckee Meadows Water Authority as of June 30, 2014 and related Statements of Revenues, Expenses and Changes in Net Position (Income Statement) as well as the Statement of Cash Flows for the period from July 1, 2013 through June 30, 2014. The financial statements include supplementary comparative information with prior year financial position and results.

Of particular importance to TMWA is the auditor's unqualified opinion on the financial statements. TMWA was in compliance with *Generally Accepted Accounting Principles (GAAP)*, and Nevada Revised Statutes for the year ended June 30, 2014.

Discussion

This staff report presents a summary of overall financial performance. Complete information is shown in the financial statements and the notes supporting the financial statements. Management's Discussion and Analysis (MD&A) in the financial section provides a detailed discussion of comparative financial performance for the past two years.

TMWA enjoyed excellent financial performance for the fiscal year ended June 30, 2014, a result of near record operating revenues that were significantly above budgetary expectations. Operating expenses were significantly under the revised budget.

Total operating revenues were \$5.5 million or 7.0% greater than the revised budget. Water sales were \$4.7 million or 6.3% greater than the revised budget. This variance reflected near record water sales due to continuing warm weather patterns in the fall and spring months. Hydroelectric sales were \$0.4 million or 14.2% greater than the revised budget. Other operating sales were \$0.5 million or 31.2% greater than budget. This category of revenue includes inspection fees for development, late fees and connection service fees that can vary considerably year to year.

Total operating expenses were \$1.7 million or 4.4% less than the revised budget reflective of TMWA staff continuing to manage operating expenses. Wages and salaries were nearly \$0.9 million or 6.9% under the revised budget. This was primarily due to not filling vacant positions and more personnel efforts directed to capital projects. Employee benefits were \$0.8 million or 13.6% under budget, a result of not filling vacant positions as well as less overall spending on health care premiums because of no health premium cost increases. Services and supplies expenses were on budget. Depreciation expense was under budget by \$0.6 million or 2.7% and was due to less assets being constructed during the fiscal year.

Total net non-operating expenses were \$0.3 million or 1.4% over budget. Lower than planned investment earnings, the loss on disposal of some assets and greater bond/note issue costs was the primary reason for the negative variance. TMWA does not budget for losses on disposal of assets, returns on investments have not picked up as planned, while note issuance costs were greater than planned due to legal fees being incurred for substituting out liquidity providers on TMWA's tax-exempt commercial paper program (TECP).

Capital contributions were \$4.6 million or 505.7% over budget. For the second consecutive year TMWA has witnessed a resurrection of modest residential construction activity coupled with modest commercial building activity. TMWA has not been dependent on these fees in the past so this situation helped in improving TMWA's cash and investment position.

Spending on capital outlays and construction projects for the fiscal year ended June 30, 2014 was approximately \$17.4 million. TMWA continues to make strategic improvements to the water system, taking advantage of an excellent construction bidding environment.

Total cash and investments as of June 30, 2014 was \$136.2 million of which \$73.0 million was restricted by bond indenture requirements and the remaining \$63.2 million was unrestricted and available to pay for future operating and maintenance expenses, construction spending, as well as

future principal and interest payments on TMWA's outstanding debt. TMWA was released by NV Energy from paying for the Farad Hydroelectric Plant resulting in \$2.0 million of restricted bond proceeds reclassified to unrestricted cash. As of June 30, 2014, TMWA had a par amount of \$495.9 million in outstanding debt. Of this total \$427.9 million was fixed rate debt and \$68.0 million was variable rate debt.

TMWA's senior debt coverage ratio recovered from the lows experienced during the recession and stood at 1.60x without developer fees and 1.64x with developer fees. Bond covenants require a ratio of at least 1.25x with developer fees which was experienced in fiscal year 2009. The current debt coverage ratio provides TMWA the necessary financial flexibility to move forward with future debt management opportunities that may be very beneficial to the community and helps support AA/AA- investment grade credit ratings from all three major credit rating agencies; Moody's, S & P and Fitch.

TRUCKEE MEADOWS WATER AUTHORITY
(TMWA)

RESOLUTION NO. 221

**A RESOLUTION APPROVING THE FINANCIAL STATEMENTS OF THE TRUCKEE
MEADOWS WATER AUTHORITY FOR FISCAL YEAR 2013-2014**

WHEREAS, TMWA is responsible for filing financial statements with various agencies, banks, and regulatory authorities; and

WHEREAS, pursuant to NRS 354.624, TMWA is required to file audited financial statements with the Nevada Department of Taxation, not later than six months after the close of the fiscal year being audited; and

WHEREAS, the TMWA Board is required to accept and approve the financial statements prior to filing of said statements with the Nevada Department of Taxation.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Truckee Meadows Water Authority that the audited financial statements for the period ending June 30, 2014, as provided to the TMWA Board, are hereby accepted and approved and staff is directed to submit such information to the Nevada Department of Taxation.

Upon motion of _____, seconded by _____, the foregoing Resolution was passed and adopted December 17, 2014, by the following vote of the Board:

Ayes: _____

Nays: _____

Abstain: _____ Absent: _____

Approved this 17th day of December, 2014

Geno Martini, Chairman



NEVADA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Years Ended June 30, 2014 and 2013

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

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INTRODUCTORY SECTION

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November 26, 2014

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, 2014. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

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

The CAFR consists of four sections:

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

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

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

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

REPORTING ENTITY

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

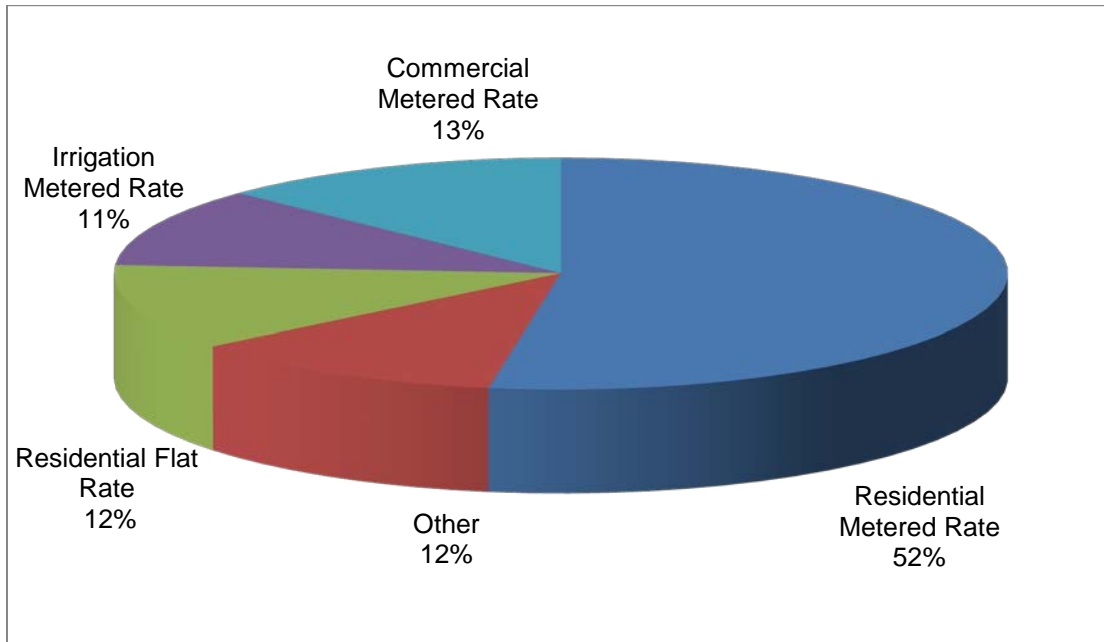
TMWA has no financial interdependence with its member agencies. TMWA has broad powers to finance, construct and operate the water system, for the diversion, treatment, distribution, and sale of treated water to retail and wholesale customers. TMWA has full authority to set water rates for services subject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

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

Nevada Revised Statutes require that an independent certified public accounting firm selected by the Board of Directors audit TMWA's financial statements on an annual basis. The independent auditor's report for the fiscal years ended June 30, 2014 and June 30, 2013 is presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 of the Nevada Revised Statutes.

The following graph depicts the proportion of operating revenues by class for fiscal year 2014:

TMWA Operating Revenues \$84.3 Million



The metering of the water system, which began under Sierra Pacific in 1995, presents a practical solution for TMWA operationally. This practical solution presents the opportunity to collect accurate data on water usage by customer class. This allows TMWA to make more accurate cost of service analyses, to make water rates more equitable across customer classes, and to better anticipate future water resource and water facility requirements. There are still approximately 4,000 customers who continue to pay the flat rate. There are less than 300 water services that remain to have a meter installed, and these represent problematic services with multiple customers on a single service line. TMWA is mindful of the revenue impact from the conversion to metered billing in its financial planning, and also accounts for the changing water demands in its water facility and resource planning efforts. Regardless, system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use.

TMWA honored its commitment to the community that water rates would not be increased during its first two years of operation. In June 2003, TMWA's Board of Directors adopted facility charges, to collect funds from new 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 implementation of the second phase was postponed one year to February 2014 due to TWMA's improved financial performance.

The goal of TMWA, as adopted by the Board in August 2003, is to maintain a senior lien debt coverage ratio of at least 1.5 times recurring revenues less operating expenses divided by annual debt service. This calculation excludes developer facility charges and other fees associated with new development. This coverage target is sufficient to meet minimum debt service coverage requirements, fund reconstruction of the water system on primarily a pay-as-you-go basis and manage TMWA's senior lien bonding capacity to allow for potential future senior lien bond sales if necessary. These measures were deemed necessary to maintain 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 1.60x as of June 30, 2014.

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 2014 saw a slight 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 2012, the region continued to experience a very challenging recession, although, there has been a slight improvement in the local economy in fiscal years 2013 and 2014. The Reno-Sparks metropolitan area is now experiencing some modest residential construction activity, as well as some commercial construction activity, but much less than in the 2005-2008 period.

To meet water demands in the future, TMWA prepared a very detailed Water Resource Plan (WRP) for the years 2010-2030 during fiscal year 2010. That plan was originally adopted by the Board in March 2003 and previously updated during fiscal year 2007. This extensive plan document addresses current water resources, future water resources, and water rights availability as well as defined drought standards. The focal point of the Water Resource Plan is the population and water demand forecasts for the TMWA service territory.

To complement this resource planning effort, a comprehensive Water Facility Plan (WFP) for the years 2010-2030 was developed. The original WFP was adopted by the TMWA Board in December of 2004. The WFP evaluates the infrastructure required to supply, treat and deliver water to customers over the life of the plan and determines the Capital Improvement Plan needs to serve growth based upon population forecasts in the WRP. For fiscal year 2014, TMWA's Board approved a 2015-2019 Capital Improvement Plan with a five year spending level of \$108.1 million, which focuses spending primarily on water system reconstruction. Spending on the acquisition of water rights has been suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments for the foreseeable future.

TMWA is a very active supporter and participant in the process of negotiating and implementing the Truckee River Operating Agreement (TROA), as are the TMWA member agencies including the cities of Reno, Sparks, and Washoe County. TMWA is a primary signatory to TROA along with the Pyramid Lake Paiute Tribe, the States of Nevada and California, and the Federal Government. TROA is intended to provide TMWA customers with certainty regarding the operation of the Truckee River system and additional drought supplies for existing, as well as, new customers. These lengthy and complex negotiations, which include interstate allocations of Truckee River water rights, were concluded when TROA was signed by the aforementioned parties on September 6, 2008 at a signing ceremony in Reno. It is expected to take several years to implement TROA. TMWA is now progressing with the implementation phase of TROA.

WATER QUALITY

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

TMWA spends approximately \$1 million annually monitoring water quality, by analyzing nearly 11,000 samples at over 150 locations throughout the TMWA water system. TMWA strictly complies with current drinking water standards, including the recently revised arsenic standards as promulgated by the United States Environmental Protection Agency, and administered by the Nevada Department of Environmental Protection, Bureau of Safe Drinking Water. TMWA's Chalk Bluff Water Treatment Plant was awarded a coveted Director's Award from the Partnership for Safe Water for consistently excellent water quality. This has been awarded to only 2% of surface water treatment plants in the United States.

WATER CONSERVATION

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

The Water Meter Retrofit Program

In 1995, the conversion of Sierra Pacific's (now TMWA's) 44,651 flat rate services to metered services began. As of June 30, 2014, TMWA estimates that less than 400 small unit residential and multi-unit metering facilities remain to be installed. Developers, through a charge of \$1,830 for every acre-foot of new water demand, provide funding for this project. These funds are considered restricted cash assets as represented on TMWA's statement of net position.

Assigned Day Watering

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

Landscape Efficiency Program

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

Water Audit Program

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

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

FINANCIAL INFORMATION

Internal Controls

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

Budgetary Controls

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

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

BUDGET ANALYSIS AND VARIANCES

Actual total operating water revenues were \$5.5 million or 7.0% above budget for fiscal year ended June 30, 2014. Total budgeted revenues were \$78.8 million as compared to \$84.3 million in actual revenue. Charges for water sales were \$4.7 million above budget, while hydroelectric revenues were nearly \$0.4 million above budget. Other operating sales were \$0.4 million above budget. TMWA water sales benefited from increased demands as a result of the warmer weather patterns during the past three years.

Total operating expenses of \$59.3 million were approximately \$2.3 million under budget of \$61.6 million. Less than planned cash operating expenses of \$1.7 million were augmented by \$0.6 million in less than planned depreciation expense. Operating expenses net of depreciation were \$1.7 million under budget primarily due to lower spending on operating salaries and wages, and employee benefits. Service and supplies expenses were virtually on budget. Spending on operating salaries and wages was \$0.9 million less than budget, while employee benefit spending was \$0.8 million less than budget. Lower operating wages and salaries were primarily due to not filling vacant positions. Health care expenses did not increase during the fiscal year, which helped reduce employee benefit costs, as well as vacant positions. Spending on services and supplies expenses was on budget of \$19.3 million

Total net nonoperating expenses, including investment income, were \$0.3 million above budget. Investment income and decrease in fair value of investments, after capitalization of investment income, was \$0.1 million under budget. This was due to continued lower than expected investment returns. Interest expense and bond issue costs/amortization of bond insurance expenses combined was on budget.

Capital contributions of \$5.5 million were \$4.6 million above budget. All areas of capital contributions contributed to this favorable variance. Cash contributions were \$2.8 million greater than budget and were attributable to modest levels of residential as well as commercial construction activity.

Total revised capital spending was \$17.4 million for fiscal year 2014, which was \$4.1 million less than the \$21.5 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, investment income, and contributions. As of June 30, 2014, TMWA has approximately \$63.2 million of unrestricted cash and investments to fund future operations and capital projects.

TMWA complies with bond covenants during fiscal year 2014 with respect to funding cash reserves. TMWA's renewal and replacement reserve is fully funded at \$10 million. The operations and maintenance reserve fund, which TMWA is required to maintain at a balance equal to one-sixth of TMWA's revised final operating budget, contained \$6.3 million as of June 30, 2014. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million is a Board designation of unrestricted net position. At June 30, 2103, TMWA held of \$2.0 million of the Series 2001A bond proceeds for the purchase of the one remaining run-of-the-river hydroelectric generating facility. Three of the facilities were purchased in past years, one during fiscal year 2008 and two in fiscal year 2009. The fourth and final facility, located in Farad, California that was heavily damaged by the 1997 flood, has not yet been operationally restored by NV Energy. In June 2014, TMWA was released from responsibility to pay NV Energy the \$2.0 million for the Farad run-of-the-river hydroelectric generating facility.

TMWA MILESTONES

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

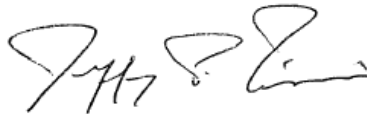
During fiscal year 2014, TMWA staff recommended to the TMWA Board to proceed with the consolidation of TMWA (approximately 94,000 service connections), Washoe County Department of Community Services' Water Division (approximately 21,000 service connections) and the South Truckee Meadows General Improvement District, STMGID, (approximately 4,000 service connections). As disclosed in the subsequent events note, TMWA will be the regional water service provider and assume \$35.2 million in water related debt of Washoe County and nearly \$230 million in water infrastructure. The effective date of the consolidation is December 31, 2014. As of the date of this transmittal letter there have been no impediments to the final consolidation.

ACKNOWLEDGEMENTS

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



Mark Foree, P.E.
General Manager



Jeffrey P. Tissier CPA
Chief Financial Officer

**Truckee Meadows Water Authority
List of Principal Officials
June 30, 2014**

TMWA Board of Directors

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

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

Geno Martini, City of Sparks Mayor

Kitty Jung, Washoe County Commissioner

Vaughn Hartung, Washoe County Commissioner

Neoma Jardon, City of Reno Councilwoman

Sharon Zadra, City of Reno Councilwoman

Management

Mark Foree, PE, General Manager

Scott Estes, PE, Director of Engineering

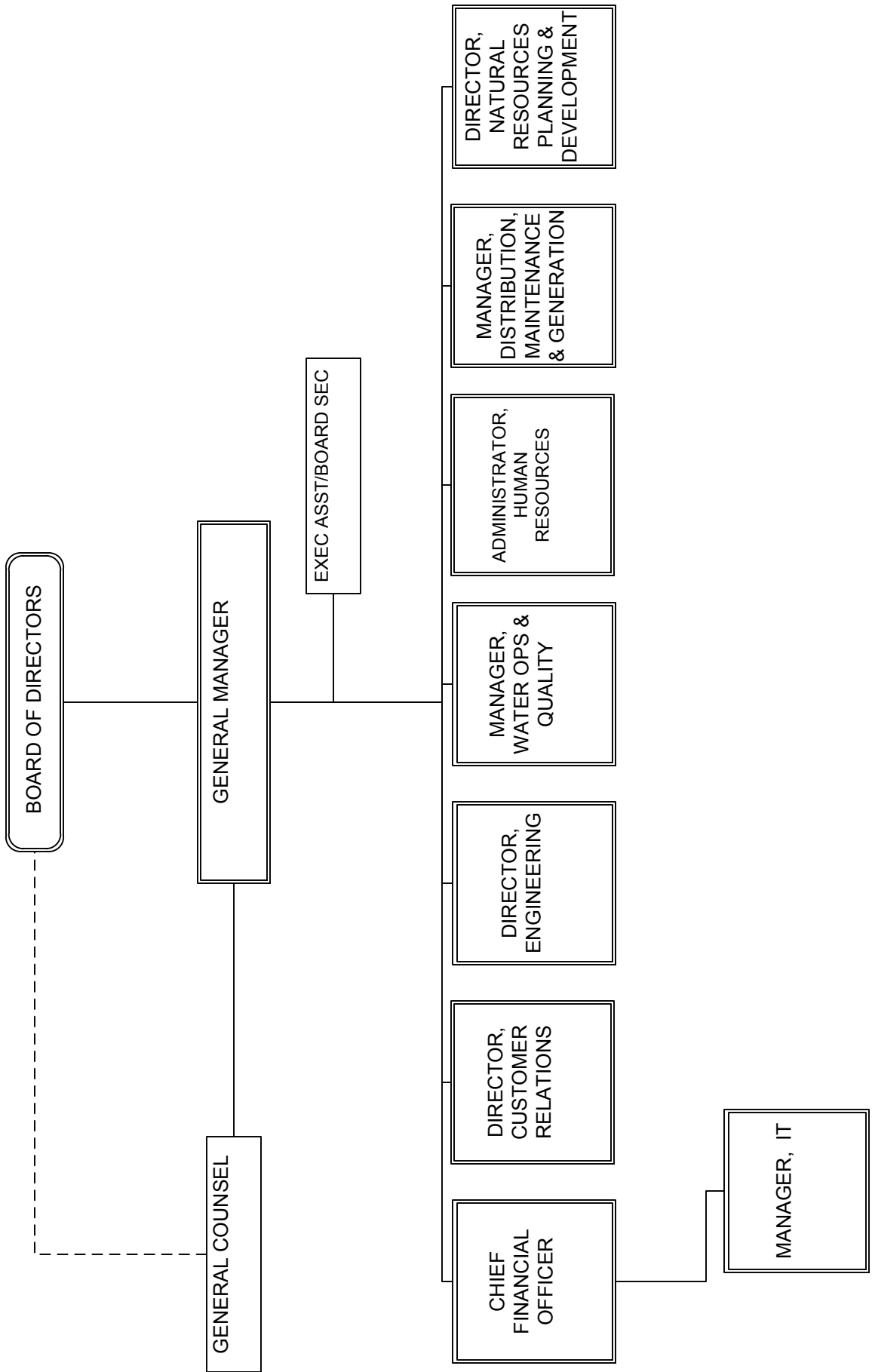
Mike Pagni, General Counsel

John Erwin, Director of Natural Resources Planning and Development

Kim Mazeres, Director of Customer Relations

Jeffrey Tissier, CPA, Chief Financial Officer

Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Truckee Meadows Water Authority
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Enev". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION

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Independent Auditor's Report

To the Board of Directors of the
Truckee Meadows Water Authority

We have audited the accompanying financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4A-4K and the Schedule of Funding Progress on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMWA's internal control over financial reporting and compliance.

Kafoury, Armstrong & Co.

Reno, Nevada
November 26, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2014, June 30, 2013, and June 30, 2012. 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 2014, 2013 and 2012 reflects the adoption of Government Accounting Standards Board Statement (GASB) 65, *Items Previously Reported as Assets and Liabilities*. Retroactive adoption of GASB 65 by TMWA resulted in deferred bond issuance expenses as well as beginning net position to be reduced by \$2.2 million in fiscal year 2012. Adoption of GASB 65 also changed the presentation of the difference between the reacquisition price and the net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings. These amounts are now presented as a *Deferred Outflow of Resources*, which was previously netted against total long term debt outstanding.

FINANCIAL HIGHLIGHTS

TMWA's Net Position
(in millions)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Unrestricted Current Assets	\$ 78.7	\$ 75.2	\$ 79.1
Restricted Current Assets	22.6	20.3	11.8
Long-Term Restricted and Other Assets	51.5	53.5	53.1
Capital Assets, net	666.8	671.1	676.8
Total Assets	<u>819.6</u>	<u>820.1</u>	<u>820.8</u>
Deferred Outflow of Resources	<u>7.1</u>	<u>9.7</u>	<u>12.1</u>
Total Assets and Deferred Outflow of Resources	<u>826.7</u>	<u>829.8</u>	<u>832.9</u>
Long-Term Debt Outstanding	415.3	428.6	439.8
Other Liabilities	99.8	99.7	99.9
Total Liabilities	<u>515.1</u>	<u>528.3</u>	<u>539.7</u>
Net Investment in Capital Assets	230.3	227.3	222.4
Restricted	25.2	22.7	13.7
Unrestricted	56.1	51.5	57.1
Total Net Position	<u>\$ 311.6</u>	<u>\$ 301.5</u>	<u>\$ 293.2</u>

In the fiscal year ended June 30, 2014, total net position increased by approximately \$10.1 million, the result of greater capital contributions in addition to nearly record operating revenue and reduced operating expenses. In the fiscal year ended June 30, 2013 total net position increased by approximately \$8.3 million, the result of record operating revenue and increasing capital contributions.

As reported on the Statements of Net Position, at June 30, 2014, total Unrestricted Current Assets increased by approximately \$3.5 million from June 30, 2013. The overall increase was due to an increase in unrestricted cash of \$3.2 million, a \$0.1 million decrease in accounts receivable, and an increase in due from other governments and due from others of \$0.4 million. The increase in unrestricted cash was due to strong operating income, increased cash capital contributions and release of \$2.0 million from Non-Current Restricted Assets to Unrestricted given TMWA's release of responsibility for payment to NV Energy for the Farad hydroelectric asset. Accounts receivable decreased slightly due to slightly less year end water sales in comparison to the prior year. Increase in due from other governments and due from others was the result of a year-end reimbursement on a Bureau of Reclamation grant awarded near year end.

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

As reported on the Statements of Net Position, at June 30, 2014, total Restricted Current Assets increased by approximately \$2.3 million from June 30, 2013. This overall increase was due to an increase of \$0.4 million in water meter retrofit fund cash and an increase in current bond debt service for \$1.9 million. The increase in current bond debt service was due to a one year spike in principal payments on refunding obligations.

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

At June 30, 2014, Noncurrent Restricted and Other Assets changed from fiscal year 2013 by \$2.0 million given release from payment to NV Energy as discussed above. An increase of \$0.1 million in the operations and maintenance reserve was offset by the \$0.1 million decrease in prepaid bond insurance related to amortization of bond insurance expenses.

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

As of June 30, 2014 Deferred Outflow of Resources decreased by \$2.6 million which was 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.

As of June 30, 2013 Deferred Outflow Of Resources decreased by \$2.4 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.

Capital assets net of accumulated depreciation decreased by \$4.3 million from June 30, 2013 to June 30, 2014. Total asset additions of \$18.6 million were offset by \$23.0 million in depreciation expense and \$0.1 million in net carrying value of disposed assets.

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

At June 30, 2014, total other liabilities increased \$0.1 million from June 30, 2013. The overall increase was due to an increase of \$1.9 million in the current liabilities payable from restricted assets offset by a \$1.8 million decrease in current liabilities payable from unrestricted assets. The \$1.9 million increase in current liabilities payable from restricted assets was due to a one-year spike in principal payments resulting from prior advanced refunding activity. The decrease of \$1.8 million in current liabilities payable from unrestricted assets was comprised of a decrease of \$1.2 million in accounts payable, of \$0.7 million in contracts and retention payable, \$0.2 million in due to other governments and interest payable offset by \$0.3 million increase in accrued liabilities, the current portion of long term debt, as well as customer and developer deposits.

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

TMWA's Changes in Net Position
(in millions)

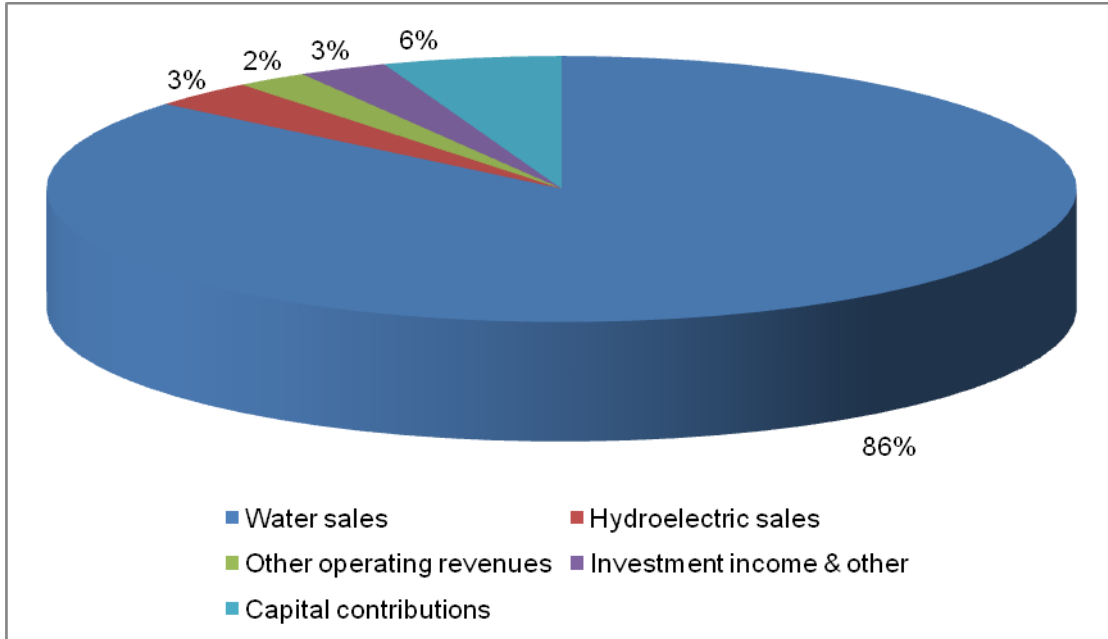
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating Revenues	\$ 84.3	\$ 85.6	\$ 81.8
Operating Expenses	59.3	59.6	56.6
Operating Income	25.0	26.0	25.2
Nonoperating Revenues (Expenses) net	(20.4)	(20.7)	(19.0)
Income (Loss) before Capital Contributions	4.6	5.3	6.2
Capital Contributions	5.5	2.9	1.1
Change in Net Position	<u>\$ 10.1</u>	<u>\$ 8.2</u>	<u>\$ 7.3</u>

TMWA's Revenues
(In millions)

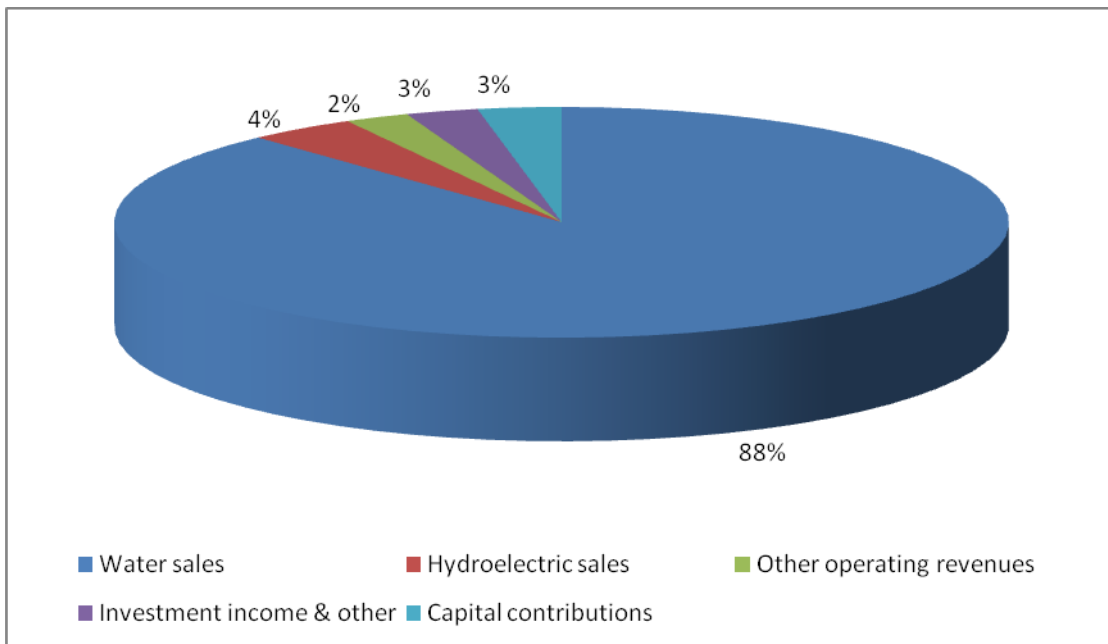
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Revenues			
Operating Revenues:			
Water Sales	\$ 79.2	\$ 79.9	\$ 76.5
Hydroelectric Sales	3.0	3.6	3.5
Other Operating Revenues	2.1	2.1	1.8
	<u>84.3</u>	<u>85.6</u>	<u>81.8</u>
Nonoperating Revenues:			
Investment Earnings	2.1	2.0	2.3
Other	0.1	0.2	2.3
	<u>2.2</u>	<u>2.2</u>	<u>4.6</u>
Capital Contributions:	5.5	2.9	1.1
Total Revenues	<u>\$ 92.0</u>	<u>\$ 90.7</u>	<u>\$ 87.5</u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2014, 2013 and 2012:

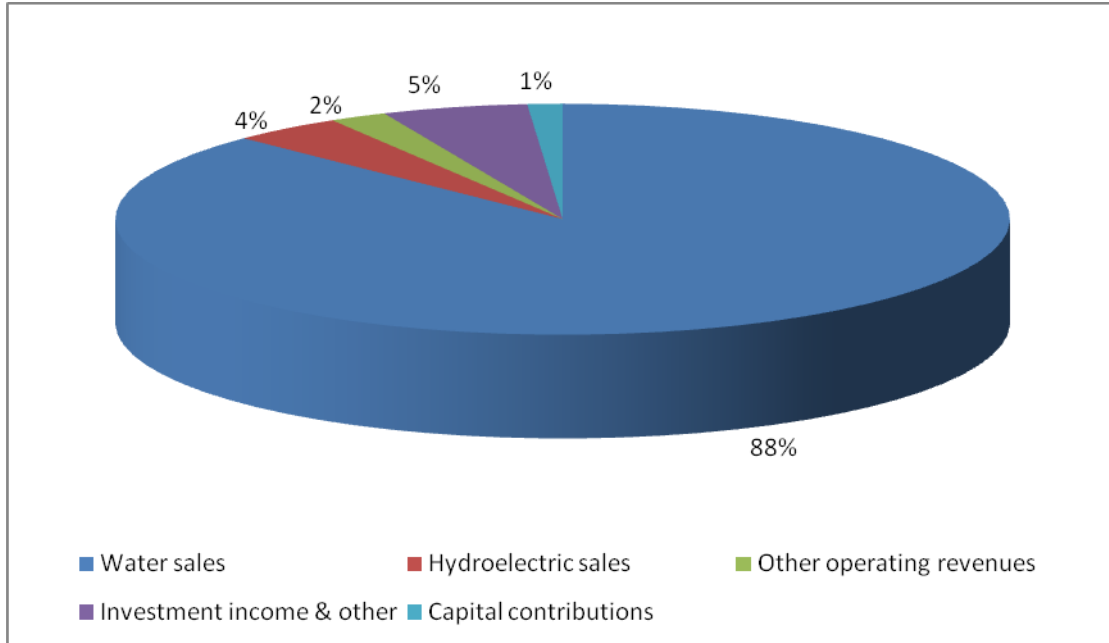
Total Revenues for the Year Ended June 30, 2014



Total Revenues for the Year Ended June 30, 2013



Total Revenues for the Year Ended June 30, 2012



For fiscal year 2014, total operating revenues decreased \$1.3 million from fiscal year 2013. Water sales in fiscal year 2014 of \$79.2 million were \$0.7 million or .9% less than in fiscal year 2013. Slightly less water demands were related to the decrease, but much warmer weather conditions persisted in fiscal year 2014. Hydroelectric revenues of \$3.0 million were \$0.6 million less than in fiscal year 2013. This decrease was due to abating river flows due to persistent drought conditions in light of excellent plant availabilities. Other operating sales were essentially flat year over year.

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

For fiscal year 2014, capital contributions increased by \$2.6 million from fiscal year 2013. This increase was primarily due to developer infrastructure contributions and will serve commitment sales for new and expanded service. Residential construction, although muted, has returned to the TMWA service area.

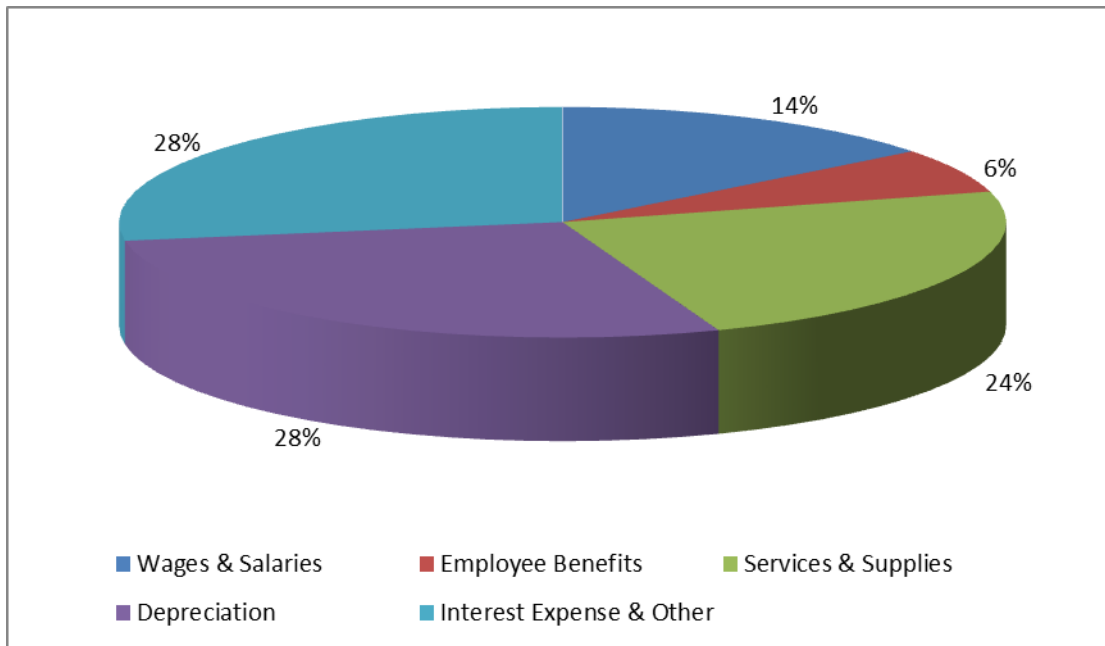
For fiscal year 2013, capital contributions increased by \$1.8 million from fiscal year 2012. This increase was primarily increasing collection of all developer related fees, a result of increasing but modest residential and commercial construction.

TMWA's Expenses
(in millions)

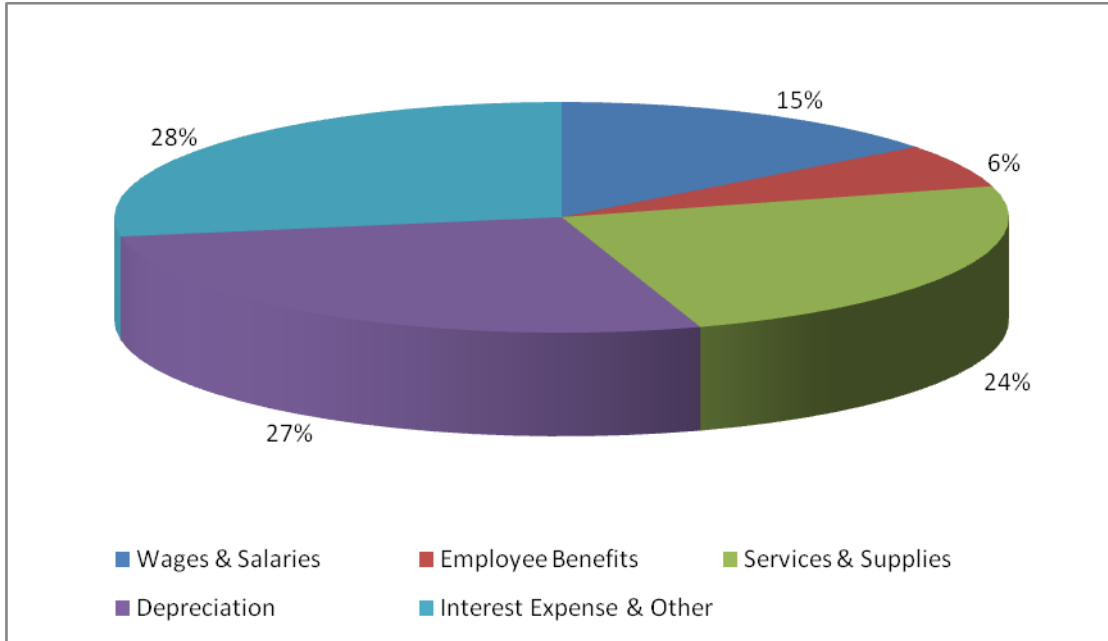
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Expenses			
Operating Expenses:			
Wages & Salaries	\$ 11.9	\$ 12.0	\$ 11.1
Employee Benefits	5.1	5.0	4.8
Services & Supplies	19.3	20.1	18.3
Depreciation	23.0	22.5	22.4
	<u>59.3</u>	<u>59.6</u>	<u>56.6</u>
Nonoperating Expenses:			
Interest Expense	21.3	21.8	21.8
Other Nonoperating Expenses	1.3	1.1	1.8
	<u>22.6</u>	<u>22.9</u>	<u>23.6</u>
Total Expenses	<u>\$ 81.9</u>	<u>\$ 82.5</u>	<u>\$ 80.2</u>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2014, 2013 and 2012:

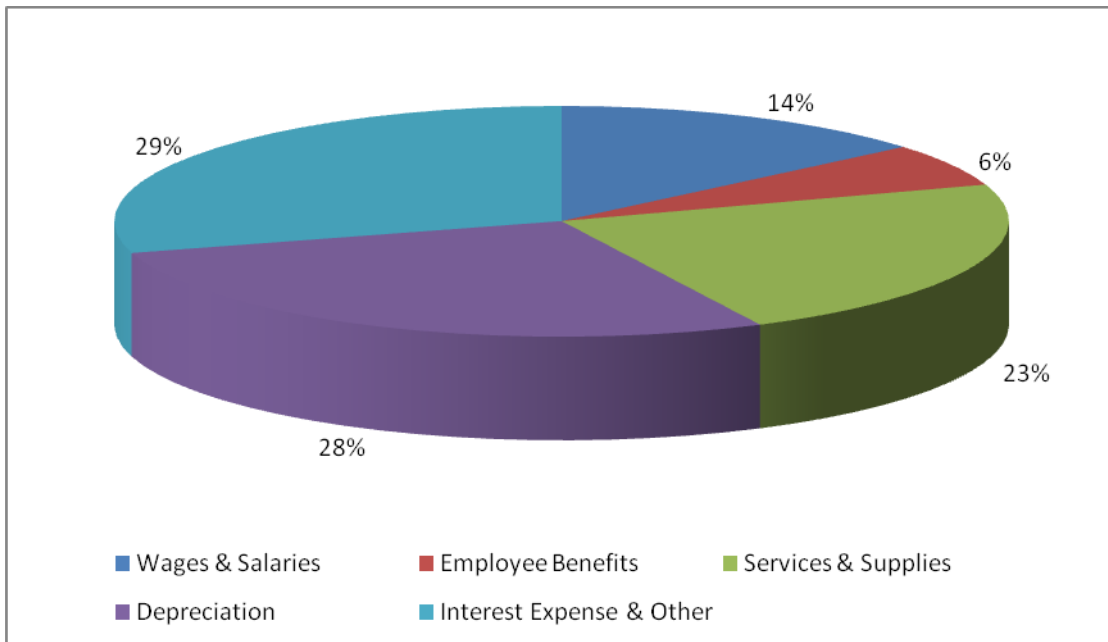
Total Expenses for the Year Ended June 30, 2014



Total Expenses for the Year Ended June 30, 2013



Total Expenses for the Year Ended June 30, 2012



The decrease of \$0.3 million is a 0.5% decrease in TMWA's operating expenses from fiscal year 2013 to 2014. This net decrease was due to a decrease of \$0.1 million in wages and salaries, a decrease of \$0.8 million in services and supplies expenses, which were offset by an increase in employee benefits of \$0.1 million and increase of \$0.5 million in depreciation expense. Wages and salaries decreased due to more personnel time dedicated to increasing construction related

activity that offset a modest general wage increase that amounted to \$0.3 million. The slight increase in spending on benefits, \$0.1 million, is mainly attributable to a slight increase in Public Employees Retirement System (PERS) contributions. Decreased services and supplies expenses of \$0.8 million was due the absence of unusual unscheduled one time maintenance charges that were incurred in fiscal year 2013. Depreciation expense increased \$0.5 million year over year due to an increased depreciable asset base as a result of completed construction projects.

Total nonoperating expenses decreased by \$0.3 million to \$22.6 million in fiscal year 2014 from \$22.9 million in fiscal year 2013. The primary reason for the reduction is decreased interest expense, \$0.5 million, as TMWA pays down its fixed rate debt and continues to experience low interest rates on TMWA's tax-exempt commercial paper program (TECP). Offsetting this decrease was a slight increase in bond/note issuance expenses as a result of costs incurred in substituting direct pay letter of credit banks that support the TECP for \$0.1 million and increase loss on asset disposal of \$0.1 million.

The \$3.0 million or 5.3% increase in TMWA's operating expenses from fiscal year 2012 to 2013 is due to a increase of \$0.9 million in salaries and wages, \$0.2 million increase in benefits and an increase of \$1.8 million in services and supplies expenses. Depreciation expense was \$0.1 million greater than last fiscal year due to greater construction activity. The increase in salaries and wages was due to the effect of a modest wage increase for \$0.3 million a comparable amount of overtime due to unscheduled maintenance in the distribution system and a modest increase in vested time-off. The increase in spending on benefits was due to benefits on wage increases. Increased services and supplies expenses was due to increased power expense to bring raw water to the primary water treatment plant due to construction on the gravity water conveyance structure, numerous unscheduled maintenance expenses related to a near doubling of distribution system leaks and unscheduled work on the Independence Lake Dam.

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

CAPITAL ASSETS

At June 30, 2014, TMWA's total capital assets were \$892.1 million before accumulated depreciation of \$225.3 million, for a net book value of \$666.8 million. Included in the total capital assets reported on the Statements of Net Position was \$7.2 million in construction work in progress.

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

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

LONG-TERM DEBT

At June 30, 2014, TMWA had \$496.0 million in total reported debt outstanding. This amount reflects \$495.9 million in total outstanding principal indebtedness, and \$0.1 million net bond premium. Of the \$496.0 million in total reported debt outstanding, \$80.7 million was due within one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of eight series of bonds, loans and short term notes. The first reported indebtedness was a \$4.7 million Series 2005 Drinking Water State Revolving Fund (DWSRF) loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005A Bonds, to fund construction projects in the North Virginia corridor. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of outstanding maturities of the Series 2001A bonds. In January 2007, TMWA issued \$219.0 million in refunding bonds to refinance \$212.3 million of outstanding maturities of the Series 2001A bonds. During fiscal year 2009 TMWA obtained another DWSRF loan funded by American Recovery and Reinvestment Act stimulus funding from the federal government. The final loan amount was \$2.4 million. In 2010, TMWA issued \$28.2 million of 2010 Refunding Bonds to refinance \$29.5 million of certain Series 2001A maturities. Also in fiscal year 2010 TMWA entered into another DWSRF loan arrangement authorized for \$8.5 million 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. TMWA intends to re-market the remaining \$68.0 million in outstanding tax-exempt commercial paper notes as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less than 270 days.

At June 30, 2013, TMWA had \$507.2 million in total reported debt outstanding. This amount reflects \$506.5 million in total outstanding bond, loan and note principal, together with \$0.7 million net bond premium.

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

CURRENTLY KNOWN FACTS

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. Six years of effort

has been devoted to consolidation efforts culminating with the planned effective date of the merger for midnight, December 31, 2014. In the October/November timeframe of fiscal year 2015, the Washoe County and TMWA Boards approved the final necessary documents to effect the merger between the two entities after approving an Interlocal Agreement governing the merger of Washoe County's water utility into TMWA in early fiscal year 2010. Another water utility, the South Truckee Meadows General Improvement District (STMGID) which is contractually operated by the Washoe County water utility approved an Interlocal Agreement to merge into TMWA in the middle fiscal year 2014. The merger ordinance for the merger of STMGID was heard by the Board of County Commissioners in early fiscal year 2015, with the result that STMGID is to be dissolved on the effective date of the merger between the Washoe County water utility and TMWA.

Material liabilities to be assumed by TMWA are a Drinking Water State Revolving Loan in the amount of \$9.1 million. TMWA plans to issue \$27.0 million in tax-exempt commercial paper notes in December 2014 to defease \$26.1 million in outstanding publically issued Washoe County water obligations. Assumption of other contingent liabilities include the potential settlement with Pall Filter Company, for a yet to be determined amount, and potential liabilities with respect to domestic wells owners impacted by municipal pumping by the Washoe County water utility and STMGID. This amount has not been quantified at this time. Other assumed liabilities include normal and customary liabilities associated with employees and vendors. All identified liabilities are believed to be resolvable and the combined financial resources of the consolidated water utility appear sufficient to address these matters.

Upon completion of the merger TMWA expects to increase its customer service connection base from approximately 94,000 connections to approximately 119,000 service connections.

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.

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BASIC FINANCIAL STATEMENTS

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

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 63,234,305	\$ 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>78,716,493</u>	<u>75,147,528</u>
RESTRICTED CURRENT ASSETS		
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>101,264,421</u>	<u>95,442,530</u>
RESTRICTED NONCURRENT ASSETS		
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
Hydroelectric asset purchase	-	2,000,000
	<u>50,461,804</u>	<u>52,406,207</u>
NONCURRENT ASSETS		
Capital assets, not depreciated	111,758,439	109,993,398
Capital assets ,depreciated	554,971,404	561,114,371
Prepaid bond insurance	1,088,622	1,149,177
	<u>667,818,465</u>	<u>672,256,946</u>
Total Noncurrent Assets	<u>718,280,269</u>	<u>724,663,153</u>
Total Assets	819,544,690	820,105,683
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on bond refundings	<u>7,107,157</u>	<u>9,656,505</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 826,651,847</u>	<u>\$ 829,762,188</u>

(continued)

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

	<u>2014</u>	<u>2013</u>
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED		
CURRENT ASSETS		
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>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED		
CURRENT ASSETS		
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>
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	<u>415,261,163</u>	<u>428,582,666</u>
Total Liabilities	<u>515,088,829</u>	<u>528,326,565</u>
NET POSITION		
Net investment in capital assets	230,327,785	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	56,036,550	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>

See accompanying notes.

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

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Charges for water sales	\$ 79,190,417	\$ 79,911,614
Hydroelectric sales	3,045,147	3,557,965
Other operating sales	2,079,826	2,107,528
Total Operating Revenues	<u>84,315,390</u>	<u>85,577,107</u>
OPERATING EXPENSES		
Salaries and wages	11,855,796	12,007,022
Employee benefits	5,127,921	5,045,922
Services and supplies	19,305,945	20,048,245
Total Operating Expenses before Depreciation	<u>36,289,662</u>	<u>37,101,189</u>
Depreciation	23,028,198	22,517,885
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>
NONOPERATING REVENUES (EXPENSES)		
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)
Bond/note issue costs and amortization of bond insurance	(936,664)	(852,069)
Interest expense	(21,282,412)	(21,791,975)
Other nonoperating revenue	180,000	163,057
Other nonoperating expense	(248,980)	(163,057)
Total Nonoperating Revenues (Expenses)	<u>(20,386,339)</u>	<u>(20,675,251)</u>
Income (Loss) before Capital Contributions	<u>4,611,191</u>	<u>5,282,782</u>
CAPITAL CONTRIBUTIONS		
Grants	343,628	208,227
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	66,829	142,662
Net Capital Contributions	<u>5,516,204</u>	<u>2,947,604</u>
Change in Net Position	10,127,395	8,230,386
NET POSITION, BEGINNING OF YEAR	<u>301,435,623</u>	<u>293,205,237</u>
NET POSITION, END OF YEAR	<u>\$ 311,563,018</u>	<u>\$ 301,435,623</u>

See accompanying notes.

**TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
INCREASE IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 84,384,041	\$ 85,561,257
Cash paid to employees	(16,970,908)	(16,980,550)
Cash paid to suppliers	<u>(20,711,668)</u>	<u>(18,685,995)</u>
Net Cash Provided by Operating Activities	<u>46,701,465</u>	<u>49,894,712</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(17,442,784)	(15,145,488)
Interest paid on financing	(19,747,901)	(20,043,442)
Principal paid on financing	(10,576,957)	(1,928,012)
Redemption of commercial paper notes	-	(11,400,000)
Proceeds from capital asset disposal	20,856	72,429
Contributions for water meter retrofit program	479,488	174,698
Contributions from developers-will-serve letters	1,529,129	201,871
Contributions from developers-other	410,447	469,732
Contributions from developers-facility charges	963,660	1,047,715
Contributions from others	66,829	142,662
Grants	-	1,000,000
Bond/note issuance costs	<u>(876,108)</u>	<u>(790,876)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(45,173,341)</u>	<u>(46,198,711)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>2,018,251</u>	<u>1,859,745</u>
Net Increase in Cash and Cash Equivalents	3,546,375	5,555,746
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including \$72,701,209 and \$63,770,020 in restricted accounts for the years ended June 30, 2014 and 2013, respectively)	<u>132,697,662</u>	<u>127,141,916</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR (including \$73,009,732 and \$72,701,209 in restricted accounts for the years ended June 30, 2014 and 2013, respectively)	<u>\$ 136,244,037</u>	<u>\$ 132,697,662</u>

(continued)

**TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 24,997,530	\$ 25,958,033
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	23,028,198	22,517,885
Other nonoperating revenues	(16,943)	188,349
Other nonoperating expenses	(248,980)	(163,057)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	120,585	(90,192)
Due from others	(74,957)	(8,625)
Due from other governments	(58,218)	(4,471)
Prepaid assets	(18,378)	(123,616)
Increase (decrease) in:		
Accounts payable	(1,138,067)	890,429
Accrued liabilities	243,041	72,394
Due to customers and developers	28,184	62,146
Due to other governments	(160,530)	595,437
Total Adjustments	<u>21,703,935</u>	<u>23,936,679</u>
Net Cash Provided by Operating Activities	<u>\$ 46,701,465</u>	<u>\$ 49,894,712</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer infrastructure contributions	\$ 1,723,023	\$ 702,699
Amortization of bond insurance expenses	60,555	61,193
Amortization of net bond premium	(625,608)	(625,608)
Amortization of refunding allowances to interest expense	2,549,348	2,460,605
SUPPLEMENTAL CASH FLOWS INFORMATION		
Capitalization of interest expense	114,054	70,305
Capitalization of interest revenue	41,459	25,614

See accompanying notes.

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity and Purpose:

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

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

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

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

Basis of Accounting:

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

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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, 2013. These presentations for fiscal years 2014 and 2013 are included as Supplementary Information.

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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.

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

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

A portion of the proceeds from the TMWA's 2001 water revenue bonds are classified as restricted assets on the Statement of Net Position for 2013 because their use was limited to the future purchase of Hydroelectric Assets, as stipulated in the Asset Purchase Agreement with NV Energy, Inc. (formerly Sierra Pacific Power Company). However, in June 2014, TMWA was released from responsibility to pay NV Energy the \$2.0 million for the Hydroelectric Asset, and thus the restriction has been removed as of June 30, 2014.

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.

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

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

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 has one item that qualifies for reporting in this category. It is the 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 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 or resources (revenue) until that time. TMWA does not have any deferred inflows of resources at June 30, 2014 or 2013.

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

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

contributions are an estimation of the value of infrastructure built by developers and permanently dedicated to TMWA.

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:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Billed amounts	\$ 5,111,866	\$ 5,673,427
Earned, but unbilled amounts	<u>7,816,227</u>	<u>7,216,469</u>
	12,928,193	12,889,896
Allowance for uncollectibles	<u>(590,696)</u>	<u>(431,914)</u>
Accounts receivable, net	<u>\$12,337,397</u>	<u>\$12,457,982</u>

NOTE 4 – CASH AND INVESTMENTS

Deposits:

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2014, the carrying amount of TMWA's deposits of \$107,627 was less than the respective bank balance of \$1,434,596 by \$1,326,969. At June 30, 2013, the carrying amount of TMWA's deposits of \$1,253,498 was less than the respective bank balance of \$1,576,209 by \$322,711. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

Investments:

As of June 30, 2014, TMWA had the following investments and maturities:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>
INVESTMENTS:			
U.S. Treasuries	\$ 16,782,721	\$ 5,006,250	\$ 11,776,471
U.S. Agencies	20,778,228	5,407,158	15,371,070
Guaranteed Investment Contracts	34,356,465	34,356,465	-
LGIP	1,371,779	1,371,779	-
Money Market Mutual Funds	38,643,128	38,643,128	-
Corporate Notes	14,213,463	-	14,213,463
Corporate Commercial Paper	9,993,400	9,993,400	-
Total Investments	<u>\$ 136,139,184</u>	<u>\$ 94,778,180</u>	<u>\$ 41,361,004</u>

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

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

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

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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 80 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, 2014 and 2013, the following investments by issuer, exceeded 5% of TMWA’s total investments:

	June 30, 2014	
Bank of America Guaranteed Investment Contract	\$29,756,465	21.86%
Federal National Mortgage Association	\$18,180,017	13.35%
	June 30, 2013	
Bank of America Guaranteed Investment Contract	\$29,756,465	22.64%
Federal National Mortgage Association	\$12,783,785	9.73%
Federal Home Loan Bank	\$15,358,850	11.68%

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 6,636,264	\$ 14,947,906	\$ (14,408,234)	\$ 7,175,936
Land	11,228,980	1,259,409	(34,040)	12,454,349
Water Rights	92,128,154	-	-	92,128,154
Total Capital Assets Not Being Depreciated	109,993,398	16,207,315	(14,442,274)	111,758,439
Capital Assets Being Depreciated:				
Distribution Mains	288,019,227	6,269,261	(17,935)	294,270,553
Water Treatment (Plants)	158,241,425	3,875,828	(15,690)	162,101,563
Services	107,426,526	1,628,137	-	109,054,663
Pump Stations	37,688,212	1,165,676	(252,070)	38,601,818
Treated Water Storage (Tanks)	58,388,571	372,338	-	58,760,909
Wells	26,070,545	2,019,534	(7,745)	28,082,334
Pressure Regulating Stations	5,542,142	45,197	-	5,587,339
Canals	39,823,176	320,741	-	40,143,917
Reservoirs	10,989,693	-	-	10,989,693
Vehicles	3,054,327	312,425	(142,575)	3,224,177
Furniture and Fixtures	924,235	62,047	(339,953)	646,329
Computer Hardware and Software	1,921,366	273,674	(177,640)	2,017,400
Lab Equipment	25,606	-	-	25,606
Hydroelectric Facilities	16,076,447	694,134	-	16,770,581
Corporate Building	10,003,842	-	-	10,003,842
Total Capital Assets Being Depreciated	764,195,340	17,038,992	(953,608)	780,280,724
Accumulated Depreciation:				
Distribution Mains	(47,610,422)	(5,368,487)	-	(52,978,909)
Water Treatment (Plants)	(53,742,508)	(4,908,296)	-	(58,650,804)
Services	(50,145,487)	(5,814,626)	-	(55,960,113)
Pump Stations	(10,274,486)	(1,348,788)	152,703	(11,470,571)
Treated Water Storage (Tanks)	(11,098,382)	(1,292,916)	-	(12,391,298)
Wells	(11,307,627)	(1,436,395)	-	(12,744,022)
Pressure Regulating Stations	(2,785,774)	(333,770)	-	(3,119,544)
Canals	(5,688,081)	(942,017)	-	(6,630,098)
Reservoirs	(3,873,031)	(375,482)	-	(4,248,513)
Vehicles	(2,282,727)	(269,435)	129,551	(2,422,611)
Furniture and Fixtures	(586,933)	(72,118)	339,953	(319,098)

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

	Beginning Balances	Increases	Decreases	Ending Balances
Computer Hardware and Software	\$ (588,981)	\$ (241,724)	\$ 177,640	\$ (653,065)
Lab Equipment	(15,363)	(5,121)	-	(20,484)
Hydroelectric Facilities	(1,773,768)	(377,583)	-	(2,151,351)
Corporate Building	(1,307,399)	(241,439)	-	(1,548,838)
Total Accumulated Depreciation	(203,080,969)	(23,028,198)	\$799,847	(225,309,320)
Total Capital Assets being Depreciated, Net	561,114,371	(5,989,206)	(153,761)	554,971,404
Total Capital Assets, Net	<u>\$ 671,107,769</u>	<u>\$ 10,218,109</u>	<u>\$ (14,596,035)</u>	<u>\$ 666,729,843</u>

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 7,646,627	\$ 15,372,224	\$ (16,382,587)	\$ 6,636,264
Land	11,228,980	-	-	11,228,980
Water Rights	92,126,153	2,001	-	92,128,154
Total Capital Assets Not Being Depreciated	111,001,760	15,374,225	(16,382,587)	109,993,398
Capital Assets Being Depreciated:				
Distribution Mains	284,473,237	3,545,990	-	288,019,227
Water Treatment (Plants)	154,825,980	3,415,445	-	158,241,425
Services	106,528,066	955,854	(57,394)	107,426,526
Pump Stations	37,049,568	708,488	(69,844)	37,688,212
Treated Water Storage (Tanks)	58,266,919	121,652	-	58,388,571
Wells	23,867,642	2,202,903	-	26,070,545
Pressure Regulating Stations	5,355,002	249,451	(62,311)	5,542,142
Canals	36,466,263	3,356,913	-	39,823,176
Reservoirs	10,989,693	-	-	10,989,693
Vehicles	3,046,346	209,319	(201,338)	3,054,327
Furniture and Fixtures	703,101	235,986	(14,852)	924,235
Computer Hardware and Software	1,899,251	631,002	(608,887)	1,921,366
Lab Equipment	25,606	-	-	25,606
Hydroelectric Facilities	14,839,979	1,236,468	-	16,076,447
Corporate Building	8,900,835	1,103,007	-	10,003,842
Total Capital Assets Being Depreciated	747,237,488	17,972,478	(1,014,626)	764,195,340

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	Beginning Balances	Increases	Decreases	Ending Balances
Accumulated Depreciation:				
Distribution Mains	\$ (42,340,646)	\$ (5,269,776)	\$ -	\$ (47,610,422)
Water Treatment (Plants)	(48,958,762)	(4,783,746)	-	(53,742,508)
Services	(44,440,109)	(5,737,902)	32,524	(50,145,487)
Pump Stations	(8,967,953)	(1,341,169)	34,636	(10,274,486)
Treated Water Storage (Tanks)	(9,784,409)	(1,313,973)	-	(11,098,382)
Wells	(9,915,823)	(1,391,804)	-	(11,307,627)
Pressure Regulating Stations	(2,486,338)	(330,747)	31,311	(2,785,774)
Canals	(4,795,417)	(892,664)	-	(5,688,081)
Reservoirs	(3,497,549)	(375,482)	-	(3,873,031)
Vehicles	(2,206,925)	(274,328)	198,526	(2,282,727)
Furniture and Fixtures	(547,609)	(54,176)	14,852	(586,933)
Computer Hardware and Software	(1,004,232)	(193,636)	608,887	(588,981)
Lab Equipment	(10,242)	(5,121)	-	(15,363)
Hydroelectric Facilities	(1,422,994)	(350,774)	-	(1,773,768)
Corporate Building	(1,104,812)	(202,587)	-	(1,307,399)
Total Accumulated Depreciation	<u>(181,483,820)</u>	<u>(22,517,885)</u>	<u>920,736</u>	<u>(203,080,969)</u>
Total Capital Assets being Depreciated, Net	<u>565,753,668</u>	<u>(4,545,407)</u>	<u>(93,890)</u>	<u>561,114,371</u>
Total Capital Assets, Net	<u><u>\$ 676,755,428</u></u>	<u><u>\$ 10,828,818</u></u>	<u><u>\$ (16,476,477)</u></u>	<u><u>\$ 671,107,769</u></u>

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

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Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years.

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

On August 15, 2006, TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that authorized the issuance of up to \$160,000,000 in TECP notes. Of the total authorization, TMWA has outstanding \$68,000,000 as of June 30, 2014 and June 30, 2013, respectively. The first draw was on August 16, 2006 for \$30,000,000, a second draw was on December 5, 2006 for \$13,000,000, a third draw was made on February 15, 2008 for \$25,000,000, and a fourth draw was made on June 28, 2011 for \$11,400,000, for a total issuance of \$79,400,000. TMWA redeemed the \$11,400,000 issued in the fourth draw on December 10, 2012, leaving \$68,000,000 outstanding at June 30, 2014 and June 30, 2013. TMWA has remaining authorization to issue \$80.6 million as of June 30, 2014. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The TECP program was originally facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and Lloyds TSB PLC and subsequently extended to August 16, 2012. On June 8, 2012 the direct pay letter of credit with Lloyds TSB was terminated and the entire Liquidity Facility was split evenly between JP Morgan N.A. and Wells Fargo N.A. as substitute Liquidity Providers. On May 30, 2014 the Liquidity Facility between JP Morgan and Wells Fargo N.A. was replaced with a new and expanded Liquidity Facility with the Bank of Tokyo-Mitsubishi UFJ. The new stated amount of the Liquidity Facility is \$103,432,878. It allows TMWA to issue up to \$27.0 million in additional notes above currently outstanding amounts as of June 30, 2014. The average interest rate on the outstanding balance of TECP as of June 30, 2014 and June 30, 2013 was 0.09% and 0.17%, respectively. As of June 30, 2014 the total TECP notes outstanding were comprised of 2 tranches of \$34 million each with maturities of 69 and

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132 days. As of June 30, 2013 the total TECP notes outstanding were composed of 2 tranches of \$34 million each with of maturities from 123 to 125 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, and the 2010 Refunding Bonds, as well as future senior lien bonds.

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

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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, and the 2010 Refunding Bonds, as well as future senior lien bonds.

The following schedules summarize the changes in long-term obligations as of June 30, 2014 and 2013.

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June 30, 2014	Final Maturity <u>Date</u>	<u>Authorized</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due in <u>2014-2015</u>
Supported by User Charges:							
2005 Water Revenue							
DWSRF (Tax Exempt)							
Bonds 3.21%	1/1/2025	\$ 4,669,565	\$ 3,331,277	\$ -	\$ 231,602	\$ 3,099,675	\$ 239,096
2005 A Water Revenue							
(Tax Exempt) Bonds							
4.25%-5.00%	7/1/2036	40,000,000	35,620,000	-	825,000	34,795,000	855,000
2006 Water Revenue							
(Tax Exempt)							
Refunding Bonds							
3.50%-4.875%	7/1/2034	150,745,000	149,140,000	-	355,000	148,785,000	370,000
2007 Water Revenue							
(Tax Exempt)							
Refunding Bonds							
4.00%-5.00%	7/1/2030	218,975,000	215,745,000	-	460,000	215,285,000	485,000
2009 A Water Revenue							
DWSRF ARRA (Tax Exempt)							
Bonds 0%	7/1/2029	2,401,120	2,040,534	-	123,669	1,916,865	123,669
2010 Water Revenue							
(Tax Exempt)							
Refunding Bonds							
5.00%	7/1/2015	28,240,000	28,240,000	-	8,385,000	19,855,000	10,420,000
2010 A Water Revenue							
DWSRF (Tax Exempt)							
Bonds 3.25%	1/1/2030	<u>4,381,614</u>	<u>4,381,614</u>	<u>-</u>	<u>196,686</u>	<u>4,184,928</u>	<u>203,130</u>
Subtotal		449,412,299	438,498,425	-	10,576,957	427,921,468	12,695,895
Plus: Unamortized net bond premium			<u>661,198</u>	<u>-</u>	<u>625,608</u>	<u>35,590</u>	
Total Debt Before Tax Exempt Commercial Paper			439,159,623	-	11,202,565	427,957,058	
TMWA Tax-Exempt Commercial Paper		<u>148,600,000</u>	<u>68,000,000</u>	<u>-</u>	<u>-</u>	<u>68,000,000</u>	<u>68,000,000</u>
Total Debt		<u>\$ 598,012,299</u>	<u>\$ 507,159,623</u>	<u>\$ -</u>	<u>\$ 11,202,565</u>	<u>\$ 495,957,058</u>	<u>\$ 80,695,895</u>

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

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

<u>Debt to Maturity</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Debt Service</u>
June 30:			
2015	\$ 80,695,895	\$ 19,088,868	\$ 99,784,763
2016	11,800,288	18,501,046	30,301,334
2017	13,310,147	17,898,542	31,208,689
2018	14,620,491	17,258,042	31,878,533
2019	15,271,335	16,602,973	31,874,308
2020-2024	86,922,970	72,376,216	159,299,186
2025-2029	105,794,056	51,814,796	157,608,852
2030-2034	132,116,286	25,091,996	157,208,282
2035-2037	35,390,000	1,229,519	36,619,519
Total	<u>\$ 495,921,468</u>	<u>\$ 239,861,998</u>	<u>\$ 735,783,466</u>

Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in fiscal year 2015. 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.

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

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

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

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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.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – PENSIONS AND OTHER EMPLOYEE BENEFITS

Defined Benefit Plan:

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

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

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covered payroll, and amount contributed, which equaled required contributions, are as follows:

Fiscal Year	Contribution Rate		Total Contribution
	Employer Pay Plan	Employee-Employer Plan	
2013/2014	25.75%	13.25%	\$ 3,199,518
2012/2013	23.75%	12.25%	\$ 2,898,332
2011/2012	23.75%	12.25%	\$ 2,726,224

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, 2014 TMWA had matching contributions totaling \$744,498, and \$709,437 as of June 30, 2013.

Other Post-Employment Benefit Plan (OPEB):

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

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

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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 participants and retirees as of July 1, 2012, the effective date of the OPEB valuation was 150, and 17, respectively. As of June 30, 2014 and June 30, 2013, there were 22 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>
2014	\$ 216,956	\$ 216,956	100%	\$ -
2013	\$ 216,956	\$ 216,956	100%	\$ -
2012	\$ 185,251	\$ 185,251	100%	\$ -

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The net OPEB obligation as of June 30, 2014 and 2013 was calculated as follows:

	<u>2014</u>	<u>2013</u>
Annual Required Contribution (ARC):		
Normal cost	\$ 253,967	\$ 253,967
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	<u>(37,011)</u>	<u>(37,011)</u>
Annual Required Contribution (ARC)	<u>\$216,956</u>	<u>\$216,956</u>
Determination of Net OPEB Obligation:		
Annual Required Contribution (ARC)	<u>\$ 216,956</u>	<u>\$ 216,956</u>
Annual OPEB Cost	\$ 216,956	\$ 216,956
Contributions Made to Trust	<u>(216,956)</u>	<u>(216,956)</u>
Increase (decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
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, 2012) was as follows:

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

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

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

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

NOTE 11– COMMITMENTS

At June 30, 2013, TMWA was committed under the Asset Purchase Agreement to expend \$8,000,000 for the purchase of Hydroelectric Assets. NV Energy, Inc. and TMWA have agreed to pro-rate this sum equally among the four run-of-river hydroelectric plants so the plants could be purchased individually. As of June 30, 2014, TMWA had completed the purchase of three of the four run-of-river hydroelectric plants for \$6,000,000 or two million dollars each. One hydro plant was purchased in fiscal year 2008 and the other two hydro plants were purchased in fiscal year 2009. TMWA has been release by NV Energy from having to pay the \$2.0 million for the purchase of the fourth and last hydro plant.

During fiscal year 2014, TMWA executed a contract with a tunnel excavation and shoring company, to excavate the Fleish Hydroelectric Tunnel. The contract is approximately \$4.5 million and the completion of the contract is scheduled for the end of December 2014.

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.

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2014 as a contribution in fiscal year 2014 to the Truckee River Fund of the Community Foundation of Western Nevada for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

NOTE 12– SUBSEQUENT EVENTS

Merger:

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 consolidate the respective water utilities. Due diligence efforts ensued for over five years with the result that water utility consolidation was feasible and all impediments can be removed. In early fiscal year 2010, TMWA and the Washoe County Board of Commissioners approved an Interlocal Agreement governing the merger of Washoe County’s water utility into TMWA. 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 County Commissioners in early fiscal year 2015, with the result that STMGID is to be dissolved on the effective date of the merger between the Washoe County water utility and TMWA.

In the October/November timeframe of fiscal year 2015, the Washoe County and TMWA Boards approved the necessary documents to effect the merger between the two entities. The planned effective date of the merger is midnight, December 31, 2014. These documents identify assets to be transferred and excluded, as well as liabilities to be assumed and excluded. Assets to be transferred include all necessary infrastructure, land and water resources to serve former Washoe County water utility customers. Material liabilities to be assumed are a Drinking Water State Revolving Loan in the amount of \$9.1 million. Assumption of other contingent liabilities include the potential settlement with Pall Filter Company, for a yet to be determined amount, and potential liabilities with respect to domestic wells owners impacted by municipal pumping by the Washoe County water utility and STMGID. This amount has not been quantified at this time. Other assumed liabilities include normal and customary

**TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

liabilities associated with employees and vendors. All identified liabilities are believed to be resolvable and the combined financial resources of the consolidated water utility appear sufficient to address these matters.

TMWA asset base will increase approximately by one third on a dollar basis and include a significant importation project referred to as the Fish Spring Ranch Importation Project (Fish Springs). This project has banked necessary water rights with Washoe County to be transferred to TMWA for future will-serve commitments to be sold by the Vidler Water Company (Vidler). Until the aforementioned water resources are fully committed, TMWA will have the option to use the infrastructure capacity and water resources of Vidler to serve the existing customer demands. Fish Springs was successfully interconnected with the Washoe County and TMWA water utilities, and Fish Springs water is being delivered.

Commercial Paper Issuance:

On November 19, 2014, TMWA's Board authorized issuance of \$27.0 million in commercial paper notes. The proceeds are expected to be used to defease \$26.1 million in outstanding publically issued bonds of the Washoe County water utility upon commencement of the merger of the Washoe County water utility discussed above.

NOTE 13 – IMPACT OF ISSUED ACCOUNTING STANDARDS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement 27*. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this Statement on TMWA'S financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**TRUCKEE MEADOWS WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

SCHEDULE OF FUNDING PROGRESS

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

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

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SUPPLEMENTARY INFORMATION

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

	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
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
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	78,767,847	84,315,390	5,547,543
OPERATING EXPENSES			
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)
	<hr/>	<hr/>	<hr/>
Total Operating Expenses before Depreciation	37,969,819	36,289,662	1,680,157
Depreciation	23,678,184	23,028,198	649,986
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	61,648,003	59,317,860	2,330,143
	<hr/>	<hr/>	<hr/>
Operating Income	17,119,844	24,997,530	7,877,686
NONOPERATING REVENUES (EXPENSES)			
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)
Bond/note issue costs and amortization of bond insurance	(845,058)	(936,664)	(91,606)
Interest expense	(21,341,922)	(21,282,412)	59,510
Other nonoperating revenue	150,000	180,000	30,000
Other nonoperating expense	(240,000)	(248,980)	(8,980)
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(20,107,811)	(20,386,339)	(278,528)
	<hr/>	<hr/>	<hr/>
Income (Loss) before Capital Contributions	(2,987,967)	4,611,191	7,599,158
CAPITAL CONTRIBUTIONS			
Grants	-	343,628	343,628
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
	<hr/>	<hr/>	<hr/>
Net Capital Contributions	910,704	5,516,204	4,605,500
	<hr/>	<hr/>	<hr/>
Change in Net Position	\$ (2,077,263)	10,127,395	\$ 12,204,658
	<hr/>	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR		301,435,623	
		<hr/>	
NET POSITION, END OF YEAR		\$ 311,563,018	
		<hr/>	

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

	<u>Augmented/ Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Charges for water sales	\$ 76,817,704	\$ 79,911,614	\$ 3,093,910
Hydroelectric sales	3,378,720	3,557,965	179,245
Other operating sales	1,611,000	2,107,528	496,528
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	81,807,424	85,577,107	3,769,683
OPERATING EXPENSES			
Salaries and wages	12,452,162	12,007,022	445,140
Employee benefits	5,444,204	5,045,922	398,282
Services and supplies	19,739,865	20,048,245	(308,380)
	<hr/>	<hr/>	<hr/>
Total Operating Expenses before Depreciation	37,636,231	37,101,189	535,042
Depreciation	23,156,208	22,517,885	638,323
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	60,792,439	59,619,074	1,173,365
	<hr/>	<hr/>	<hr/>
Operating Income	21,014,985	25,958,033	4,943,048
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,203,490	2,007,375	(196,115)
Net (decrease) in fair value of investments	-	(17,119)	(17,119)
Gain (loss) on disposal of assets	-	(21,463)	(21,463)
Bond/note issue costs and amortization of bond insurance	(3,145,200)	(852,069)	2,293,131
Interest expense	(21,850,518)	(21,791,975)	58,543
Other nonoperating revenue	150,000	163,057	13,057
Other nonoperating expense	(240,000)	(163,057)	76,943
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(22,882,228)	(20,675,251)	2,206,977
	<hr/>	<hr/>	<hr/>
Income (Loss) before Capital Contributions	(1,867,243)	5,282,782	7,150,025
CAPITAL CONTRIBUTIONS			
Grants	-	208,227	208,227
Water meter retrofit program	72,984	174,698	101,714
Developer infrastructure contributions	132,132	702,699	570,567
Developer will-serve contributions (net of refunds)	57,348	201,871	144,523
Developer capital contributions-other	69,108	469,732	400,624
Developer facility charges (net of refunds)	123,780	1,047,715	923,935
Contributions from others	-	142,662	142,662
	<hr/>	<hr/>	<hr/>
Net Capital Contributions	455,352	2,947,604	2,492,252
	<hr/>	<hr/>	<hr/>
Change in Net Position	\$ (1,411,891)	8,230,386	\$ 9,642,277
	<hr/>	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR		293,205,237	
		<hr/>	
NET POSITION, END OF YEAR		\$ 301,435,623	
		<hr/>	

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STATISTICAL SECTION

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

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

Section Contents

Schedule No.

Financial Trends

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

1-6

Revenue Capacity

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

7-8

Debt Capacity

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

9

Demographic and Economic Information

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

10-12

Operating Information

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

13-17

Debt Ratios

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

18-19

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

TRUCKEE MEADOWS WATER AUTHORITY
NET POSITION BY COMPONENT
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Net Position:				
Net investment in capital assets	\$230,327,785	\$227,319,870	\$222,418,497	\$223,410,534
Restricted	25,198,683	22,644,404	13,678,852	22,873,643
Unrestricted	<u>56,036,550</u>	<u>51,471,349</u>	<u>57,107,888</u>	<u>41,907,040</u>
 Total Net Position:	 <u><u>\$311,563,018</u></u>	 <u><u>\$301,435,623</u></u>	 <u><u>\$293,205,237</u></u>	 <u><u>\$288,191,217</u></u>

<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
\$220,473,195	\$204,972,595	\$177,972,803	\$152,295,208	\$108,459,961	\$58,708,815
23,515,136	23,947,116	16,387,385	15,707,241	12,684,812	9,283,636
43,968,725	56,186,497	87,278,594	87,347,874	79,963,807	50,545,732
<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>	<u>\$118,538,183</u>

TRUCKEE MEADOWS WATER AUTHORITY
CHANGES IN NET POSITION
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Total Nonoperating Revenues/ (Expenses)</u>	<u>Income/(Loss) before Capital Contributions</u>	<u>Capital Contributions</u>	<u>Change in Net Position</u>
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
2005	73,813,294	48,434,832	25,378,462	(19,135,162)	6,243,300	47,435,472	53,678,772

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING REVENUES BY CUSTOMER CLASS
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

OPERATING REVENUES	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Revenues from water sales:					
Residential unmetered water sales	\$ 9,731,811	\$ 10,288,324	\$ 10,899,330	\$11,611,351	\$13,115,143
Residential metered water sales	44,137,033	43,957,551	41,476,536	37,636,859	35,962,518
Commercial metered water sales	10,755,824	10,885,539	10,473,659	10,214,401	10,112,854
Irrigation metered & fire protection	10,720,156	11,031,924	10,129,233	9,007,523	8,894,110
Wholesale sales	3,845,593	3,748,276	3,473,100	2,938,106	3,136,081
Total Water Sales	79,190,417	79,911,614	76,451,858	71,408,240	71,220,706
Hydroelectric revenue	3,045,147	3,557,965	3,519,897	3,079,158	2,577,660
Other operating revenues	2,079,826	2,107,528	1,818,744	1,759,035	1,869,482
Total Operating Revenues	\$ 84,315,390	\$ 85,577,107	\$ 81,790,499	\$ 76,246,433	\$ 75,667,848

OPERATING REVENUES	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Revenues from water sales:					
Residential unmetered water sales	\$14,216,666	\$ 15,310,296	\$ 16,612,010	\$ 18,536,414	\$ 21,382,048
Residential metered water sales	34,646,185	34,940,141	35,085,859	30,513,084	26,350,944
Commercial metered water sales	9,812,718	10,326,007	10,415,049	10,302,813	10,501,889
Irrigation metered & fire protection	8,716,187	8,880,817	9,076,013	8,225,084	8,185,580
Wholesale sales	2,833,330	3,228,785	3,083,877	2,892,864	2,539,129
Total Water Sales	70,225,086	72,686,046	74,272,808	70,470,259	68,959,590
Hydroelectric revenue	2,769,918	2,836,521	3,136,806	2,442,953	1,091,843
Other operating revenues	2,018,822	2,697,601	3,610,675	3,754,266	3,761,861
Total Operating Revenues	\$ 75,013,826	\$ 78,220,168	\$ 81,020,289	\$ 76,667,478	\$ 73,813,294

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30,2013</u>	<u>June 30,2012</u>	<u>June 30,2011</u>	<u>June 30,2010</u>
Salaries and wages	\$ 11,855,796	\$ 12,007,022	\$ 11,128,162	\$ 11,049,337	\$ 11,180,101
Employee benefits	5,127,921	5,045,922	4,819,187	4,537,531	4,378,347
Contract services	4,974,957	4,826,066	4,868,532	5,090,741	5,488,432
Utilities/power	4,834,302	5,189,312	4,571,453	4,432,932	6,639,620
Prof services- (general/legal/media/leg)	1,866,581	2,538,097	1,610,614	1,254,751	1,909,575
Supplies	1,904,487	1,736,763	1,522,106	1,155,351	1,112,419
Chemicals	1,376,154	1,383,824	1,333,002	1,361,144	1,653,424
Insurance and claims	579,183	501,300	534,577	608,352	647,983
Leases and rentals	65,596	70,196	74,596	84,844	69,472
Other expenses	3,704,685	3,802,687	3,810,820	3,645,076	3,318,784
Total Operating Expenses before Depreciation	36,289,662	37,101,189	34,273,048	33,220,057	36,398,157
Depreciation	23,028,198	22,517,885	22,349,225	22,322,217	21,990,618
Total Operating Expenses	\$ 59,317,860	\$ 59,619,074	\$ 56,622,273	\$ 55,542,274	\$ 58,388,775
	<u>June 30,2009</u>	<u>June 30,2008</u>	<u>June 30,2007</u>	<u>June 30,2006</u>	<u>June 30,2005</u>
Salaries and wages	\$ 11,619,701	\$ 11,665,974	\$ 10,083,912	\$ 9,852,372	\$ 9,625,252
Employee benefits	4,429,266	4,528,891	3,967,687	3,868,295	3,946,913
Contract services	6,623,576	5,848,255	5,489,563	6,054,308	5,427,544
Utilities/power	7,384,879	7,292,830	7,055,167	5,763,686	5,644,007
Professional services	2,751,236	2,755,823	2,331,511	2,591,223	2,051,063
Supplies	1,319,905	1,496,065	1,427,467	1,456,754	1,185,896
Chemicals	1,443,177	1,231,681	1,165,321	1,295,165	1,079,829
Insurance and claims	611,405	644,638	645,064	584,651	541,744
Leases and rentals	124,563	-	58,181	189,674	307,562
Other expenses	3,754,603	4,310,112	4,087,764	3,665,756	3,342,049
Total Operating Expenses before Depreciation	40,062,310	39,774,269	36,311,637	35,321,884	33,151,859
Depreciation	22,153,951	20,817,485	19,241,869	16,932,768	15,282,973
Total Operating Expenses	\$ 62,216,261	\$ 60,591,754	\$ 55,553,506	\$ 52,254,652	\$ 48,434,832

TRUCKEE MEADOWS WATER AUTHORITY
NONOPERATING REVENUES AND EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

Fiscal Year	Investment Earnings	Interest Expense	Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or Expenses	Total Nonoperating Expenses
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)
2005	3,493,471	(22,895,351)	440,559	4,636	(178,477)	(19,135,162)

TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL CONTRIBUTIONS BY SOURCE (Net of Refunds)
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

<u>Fiscal Year</u>	<u>Developer Water Rights/ Will Serves</u>	<u>Developer Infrastructure</u>	<u>Developer Other</u>	<u>Water Meter Retrofit Program</u>	<u>Developer Facility Charges</u>	<u>From Other Governments</u>	<u>From Others</u>	<u>Total</u>
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
2005	9,365,576	17,529,161	5,629,172	4,855,415	10,056,148	-	-	47,435,472

TRUCKEE MEADOWS WATER AUTHORITY
GALLONS OF WATER SOLD AND REVENUES BY CATEGORY
FOR FISCAL YEARS 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

Category	Fiscal Year Ended June 30, 2014		Fiscal Year Ended June 30, 2013	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 9,731,811	--(1)	\$ 10,288,324
Residential Metered	11,581,326	44,137,033	11,916,455	43,957,551
Commercial	3,913,088	10,755,824	4,083,972	10,885,539
Other (2)	2,688,389	10,720,156	2,816,474	11,031,924
Wholesale	2,070,593	3,845,593	1,982,557	3,748,276
Total	20,253,396	\$ 79,190,417	20,799,458	\$ 79,911,614

Category	Fiscal Year Ended June 30, 2012		Fiscal Year Ended June 30, 2011	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 10,899,330	--(1)	\$ 11,611,351
Residential Metered	11,077,177	41,476,536	10,233,494	37,636,859
Commercial	3,902,183	10,473,659	3,925,081	10,214,401
Other (2)	2,543,132	10,129,233	2,279,226	9,007,523
Wholesale	1,831,821	3,473,100	1,573,720	2,938,106
Total	19,354,313	\$ 76,451,858	18,011,521	\$ 71,408,240

Category	Fiscal Year Ended June 30, 2010		Fiscal Year Ended June 30, 2009	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 13,115,143	--(1)	\$ 14,216,666
Residential Metered	9,940,587	35,962,518	11,319,330	34,646,185
Commercial	4,642,286	10,112,854	3,051,746	9,812,718
Other (2)	1,858,589	8,894,110	3,059,335	8,716,187
Wholesale	1,284,293	3,136,081	1,659,709	2,833,330
Total	17,725,755	\$ 71,220,706	19,090,120	\$ 70,225,086

Category	Fiscal Year Ended June 30, 2008		Fiscal Year Ended June 30, 2007	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 15,310,296	--(1)	\$ 16,612,010
Residential Metered	10,385,949	34,940,141	10,219,912	35,085,859
Commercial	4,547,882	10,326,007	4,397,648	10,415,049
Other (2)	2,677,005	8,880,817	2,665,330	9,076,013
Wholesale	1,763,412	3,228,785	1,773,874	3,083,877
Total	19,374,248	\$ 72,686,046	19,056,764	\$ 74,272,808

Category	Fiscal Year Ended June 30, 2006		Fiscal Year Ended June 30, 2005	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 18,536,414	--(1)	\$ 21,383,048
Residential Metered	8,695,642	30,513,084	7,808,216	26,350,944
Commercial	4,365,760	10,302,813	4,483,265	10,501,889
Other (2)	2,388,314	8,225,084	2,448,526	8,185,580
Wholesale	1,581,576	2,892,864	1,432,520	2,539,129
Total	17,031,292	\$ 70,470,259	16,172,527	\$ 68,960,590

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

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

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TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST CUSTOMERS
JUNE 30, 2014
(UNAUDITED)

Customer Name	Water Used (000s Gallons)	Total Revenue	% of Total Water Sales
1 Washoe County	1,601,075	\$ 3,073,652	3.9%
2 Sun Valley	587,035	1,084,571	1.4%
3 City of Reno	334,491	1,057,334	1.3%
4 Washoe County School District	308,315	854,901	1.1%
5 City of Sparks	171,276	566,852	0.7%
6 Nevada Properties (Peppermill)	163,319	402,776	0.5%
7 University of Nevada Reno	145,854	356,963	0.5%
8 Somerset HOA	96,196	324,003	0.4%
9 John Ascuaga's Nugget	115,474	293,639	0.4%
10 GSR Holdings, LLC	149,272	286,258	0.4%
Totals	3,672,307	\$ 8,300,949	10.5%

City of Reno includes the Reno Housing Authority.

TRUCKEE MEADOWS WATER AUTHORITY
DEBT SERVICE COVERAGE RATIOS
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
 (Amounts in 000's)
 (UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Revenues (1)	\$ 79,190	\$ 79,912	\$ 76,452	\$ 71,408	\$ 71,221
Nonoperating Revenues (2)	<u>7,176</u>	<u>7,672</u>	<u>7,643</u>	<u>7,253</u>	<u>6,669</u>
Gross Revenues	<u>86,366</u>	<u>87,584</u>	<u>84,095</u>	<u>78,661</u>	<u>77,890</u>
Operation and Maintenance Expenses (3)	35,850	36,672	33,851	32,802	35,979
Contribution to Water Rate Stabilization	-	-	-	-	-
Taxes other than Income Taxes (4)	<u>440</u>	<u>429</u>	<u>422</u>	<u>418</u>	<u>419</u>
Total Expenses	<u>36,290</u>	<u>37,101</u>	<u>34,273</u>	<u>33,220</u>	<u>36,398</u>
Net Revenues	<u>\$ 50,076</u>	<u>\$ 50,483</u>	<u>\$ 49,822</u>	<u>\$ 45,441</u>	<u>\$ 41,492</u>
Senior Lien Annual Debt Service (5)	<u>\$ 31,285</u>	<u>\$ 29,672</u>	<u>\$ 21,295</u>	<u>\$ 31,191</u>	<u>\$ 31,124</u>
Senior Lien Debt Coverage excluding SDCs	<u>1.60</u>	<u>1.70</u>	<u>2.34</u>	<u>1.46</u>	<u>1.33</u>
System Development Charges (SDCs):					
Developer facility charges	\$ 964	\$ 1,048	\$ 263	\$ 253	\$ 438
Developer capital contributions - other	410	470	153	127	185
Senior Lien Debt Coverage including SDCs (6)	<u>1.64</u>	<u>1.75</u>	<u>2.36</u>	<u>1.47</u>	<u>1.35</u>

- (1) Includes retail residential, commercial, irrigation water sales and wholesale water sales net of bad debt expense.
- (2) Reflects hydroelectric revenues, other miscellaneous operating revenues from fees and charges, as well as gross investment income before reduction by capitalized investment income as required by Financial Accounting Standards Board Pronouncement (FASB) 62.
- (3) Includes water supply, treatment, distribution, hydroelectric power plant maintenance customer service, water resource planning, conservation programs, administration, and inspection services. Wages and salaries, employee benefits and services and supplies comprise these expenses.
- (4) The Authority is required to pay property taxes on water rights and storage facilities located in California. During the reported fiscal years TMWA paid various counties in California for hydroelectric facilities, and water storage rights in California.
- (5) 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.
- (6) TMWA's bond covenants require a minimum coverage of 1.25x total principal and interest payments.

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

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

**TRUCKEE MEADOWS WATER AUTHORITY
 SCHEDULE OF TOTAL BUILDING PERMITS ISSUED
 BY JURISDICTION/MEMBER ENTITY
 FOR FISCAL YEARS 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
 (UNAUDITED)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Washoe County	1,669	1,516	1,578	1,272	1,279
City of Reno	4,316	3,214	2,917	2,919	3,030
City of Sparks	2,579	2,393	2,463	1,763	2,007
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Washoe County	1,586	2,222	2,829	3,492	3,521
City of Reno	3,592	4,744	6,737	9,947	9,335
City of Sparks	2,579	3,636	4,544	6,067	4,974

Source: As reported by each local governmental entity.

**TRUCKEE MEADOWS WATER AUTHORITY
 SELECTED DEMOGRAPHIC AND ECONOMIC STATISTICS
 FOR WASHOE COUNTY
 FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
 (UNAUDITED)**

Fiscal Year Ended June 30,	POPULATION ⁽¹⁾	PER CAPITA INCOME ⁽²⁾	MEDIAN AGE ⁽³⁾	SCHOOL ENROLLMENT ⁽⁴⁾	TOTAL PERSONAL INCOME ⁽²⁾	UNEMPLOYMENT RATE (PERCENT) ⁽⁵⁾
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%
2005	390,863	42	36.1	62,098	16,700,497	3.8%

Fiscal Year Ended June 30,	TOTAL LABOR FORCE ⁽⁵⁾	CONSTRUCTION ACTIVITY - TOTAL VALUE ⁽⁶⁾	NUMBER OF NEW FAMILY UNITS ⁽⁶⁾	TAXABLE SALES ⁽⁷⁾	GROSS INCOME GAMING REVENUE ⁽⁸⁾	TOTAL PASSENGER AIR TRAFFIC ⁽⁹⁾
2014	222,607	\$ 225,096,997	198	\$ 6,370,684,534	\$ 744,962,250	3,312,839
2013	219,607	126,468,377	159	5,824,726,136	741,038,030	3,514,421
2012	221,764	95,875,949	83	5,522,605,351	738,151,877	3,561,557
2011	212,480	67,721,019	55	5,282,935,192	751,466,957	3,795,421
2010	221,954	55,952,010	35	5,176,981,699	788,545,658	3,777,701
2009	224,089	85,657,662	103	5,707,791,051	867,202,273	3,979,015
2008	221,785	202,519,159	240	6,823,701,000	996,615,975	4,841,257
2007	222,610	225,084,828	557	7,202,640,557	1,069,608,365	5,014,382
2006	219,400	307,685,955	851	7,268,593,250	1,072,936,817	5,149,700
2005	212,400	368,356,469	1,113	6,687,446,995	1,016,864,082	5,097,170

Sources:

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

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

<u>Employer</u>	June 30, 2014		
	Employees	Rank	Percentage of Total County Employment
Washoe County School District	8,250	1	4.38%
University of Nevada - Reno	4,250	2	2.26%
Renown Regional Medical Center	2,750	3	1.46%
Washoe County	2,250	4	1.19%
Peppermill Hotel-Casino	2,250	5	1.19%
International Game Technology	2,250	6	1.19%
Silver Legacy Resort Casino	1,750	7	0.93%
Atlantis Casino Resort	1,750	8	0.93%
Integrity Staffing	1,750	9	0.93%
Eldorado Hotel & Casino	1,250	10	0.66%
Total Washoe Covered Employment	188,324		

	2005		
	Employees	Rank	Percentage of Total County Employment
Washoe County School District	8,750	1	4.28%
University of Nevada - Reno	4,750	2	2.33%
Renown Regional Medical Center	2,250	5	1.10%
Washoe County	2,750	3	1.35%
Peppermill Hotel-Casino	1,750	9	0.86%
International Game Technology	2,750	4	1.35%
Silver Legacy Resort Casino	2,250	6	1.10%
Atlantis Casino Resort	-	-	-
Grand Sierra Resort (Reno Hilton)	2,250	7	1.10%
Eldorado Hotel & Casino	1,750	10	0.86%
City of Reno	1,750	8	0.86%
Total Washoe Covered Employment	204,291		

Source:

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

In 2007, Washoe Medical Center became Renown Medical Center.

TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS AND WATER SALES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

Customers by Category as of June 30, 2014

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	6,379	6.7%	\$ 9,731,811	12.3%
Residential Metered	76,422	80.0%	44,137,033	55.7%
Commercial and Irrigation	8,743	9.1%	10,755,824	13.6%
Other (2)	4,008	4.3%	10,720,156	13.5%
Wholesale	2	0.0%	3,845,593	4.9%
Total	<u>95,554</u>	<u>100.0%</u>	<u>\$ 79,190,417</u>	<u>100.0%</u>

Customers by Category as of June 30, 2013

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

Customers by Category as of June 30, 2012

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

Customers by Category as of June 30, 2011

<u>Category</u>	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	8,685	9.3%	\$ 11,611,351	16.3%
Residential Metered	72,457	77.3%	37,636,859	52.7%
Commercial and Irrigation	8,564	9.1%	17,921,409	25.1%
Other (2)	4,078	4.3%	1,300,515	1.8%
Wholesale	2	0.0%	2,938,106	4.1%
Total	<u>93,786</u>	<u>100.0%</u>	<u>\$ 71,408,240</u>	<u>100.0%</u>

Customers by Category as of June 30, 2010

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

Customers by Category as of June 30, 2009

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

Customers by Category as of June 30, 2008

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

Customers by Category as of June 30, 2007

<u>Category</u>	<u>Average Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Fiscal Year Water Revenues (1)</u>	<u>% of Total Revenues</u>
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 (2)	3,469	3.7%	889,055	1.2%
Wholesale	7	0.0%	3,083,877	4.2%
Total	92,679	100.0%	\$ 74,272,808	100.0%

Customers by Category as of June 30, 2006

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

Customers by Category as of June 30, 2005

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

(1) Water Revenues are revenues that are billed and estimated for the fiscal year periods.

Estimated revenues are revenues for water deliveries just prior to fiscal year end that are unbilled until July of the next fiscal year.

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

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TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2014
(UNAUDITED)

Coverage	Carrier/Policy	Term	Limits/Deductible
Property/Boiler and Machinery Policy	Lexington Insurance Company	6/11/2014 to 6/11/2015	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	6/11/2014 to 6/11/2015	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	6/11/2014 to 6/11/2015	\$20,000,000 excess liability limit.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/2014 to 6/11/2015	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	6/11/2014 to 6/11/2015	Varies by plan selected.

TRUCKEE MEADOWS WATER AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Administration/IT	20	18	20	22
Supply/Treatment Operations	31	26	27	28
Distribution Maintenance	48	45	44	42
Hydroelectric	6	7	8	7
Customer Service/Conservation	20	26	33	28
Water Planning/Resources	13	15	12	13
Engineering/Construction	14	15	11	14
Total Authorized Employees	<u>152</u>	<u>152</u>	<u>155</u>	<u>154</u>

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

<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
22	25	23	15	12	11
28	32	28	32	34	35
45	45	45	44	43	39
5	6	7	7	7	7
41	42	39	33	31	31
14	11	10	11	10	10
15	17	22	27	27	29
<u>170</u>	<u>178</u>	<u>174</u>	<u>169</u>	<u>164</u>	<u>162</u>

TRUCKEE MEADOWS WATER AUTHORITY
CURRENT AND HISTORICAL WATER RATES
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>6/30/2014*</u>	<u>6/30/2013</u>	<u>6/30/2012*</u>	<u>6/30/2011</u>
Customer Charges By Meter Size				
3/4"	\$ 18.54	\$ 17.12	\$ 17.12	\$ 15.70
1"	20.40	18.80	18.80	17.30
1 1/2"	23.20	21.40	21.40	19.60
2"	26.90	24.80	24.80	22.80
3"	30.60	28.20	28.20	25.90
4"	35.20	32.50	32.50	29.80
6"	40.80	37.70	37.70	34.50
Commodity Charge (all meter sizes)				
Tier 1	1.72	1.72	1.72	1.72
Tier 2	2.78	2.78	2.78	2.78
Tier 3	3.25	3.25	3.25	3.25

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$ 100.63	\$ 94.10	\$ 94.10	\$ 86.30
1"	144.90	135.50	135.50	124.30
1 1/2"	262.60	245.60	245.60	225.20
2"	374.30	350.10	350.10	321.00
3"	469.90	439.40	439.40	403.00
4"	595.70	557.10	557.10	510.00
6"	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service.

*TMWA rates took effect on June 11, 2001, and were revised effective October 2003, March 2005, May, 2009, May 2010, February, 2012, and February, 2014.

<u>6/30/2010*</u>	<u>6/30/2009*</u>	<u>6/30/2008</u>	<u>6/30/2007</u>	<u>6/30/2006</u>	<u>6/30/2005*</u>
\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70	\$ 15.70
17.30	17.30	17.20	17.20	17.20	17.20
19.60	19.60	19.60	19.60	19.60	19.60
22.80	22.80	22.80	22.80	22.80	22.80
25.90	25.90	25.90	25.90	25.90	25.90
29.80	29.80	29.80	29.80	29.80	29.80
34.50	34.50	34.50	34.50	34.50	34.50
1.72	1.63	1.58	1.58	1.58	1.58
2.78	2.64	2.50	2.50	2.50	2.50
3.25	3.05	2.91	2.91	2.91	2.91
\$ 86.30	\$ 84.20	\$ 74.90	\$ 74.90	\$ 74.90	\$ 74.90
124.30	121.20	106.20	106.20	106.20	106.20
225.20	219.80	184.90	184.90	184.90	184.90
321.00	313.20	264.10	264.10	264.10	264.10
403.00	393.20	331.90	331.90	331.90	331.90
510.00	498.50	420.30	420.30	420.30	420.30
n/a	n/a	n/a	n/a	n/a	n/a

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED OPERATING AND CAPITAL INDICATORS
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Miles of water mains	1,341	1,337	1,352	1,339
Number of storage tanks	42	42	42	42
Number of Finished Water Storage	2	2	2	2
Number of pump stations	93	94	95	94
Number of wells	32	32	32	32
Treatment capacity (MGD)				
Glendale Plant	37.5	37.5	37.5	25
Chalk Bluff	95	95	95	95

Notes:

MGD = millions of gallons per day

<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
1,332	1,330	1,310	1,258	1,252	1,227
42	42	38	37	35	34
2	2	2	2	2	2
96	108	96	97	96	96
32	32	32	33	33	33
25	25	25	25	25	25
95	89	89	89	89	89

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF CHANGES IN DEBT
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>Final Maturity Date</u>	<u>Authorized</u>	<u>Balance June 30, 2014</u>	<u>Balance June 30, 2013</u>	<u>Balance June 30,2012</u>
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	3,099,675	3,331,277	3,555,620
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	34,795,000	35,620,000	36,415,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,785,000	149,140,000	149,485,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	215,285,000	215,745,000	216,185,000
2009 Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	3,000,000	1,916,866	2,040,534	2,164,202
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	19,855,000	28,240,000	28,240,000
2010 Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	4,184,928	4,381,614	4,381,614
Subtotal			427,921,468	438,498,425	440,426,436
Less: Unamortized net bond discount (premium)			(35,590)	(661,198)	(1,286,806)
Total Debt Before Tax Exempt Commercial Paper			427,957,058	439,159,623	441,713,242
Tax-Exempt Commercial Paper		148,600,000	68,000,000	68,000,000	79,400,000
Total Debt			\$ 495,957,058	\$ 507,159,623	\$ 521,113,242

Balance June 30, 2011	Balance June 30, 2010	Balance June 30, 2009	Balance June 30, 2008	Balance June 30, 2007	Balance June 30, 2006	Balance June 30, 2005
\$ 8,810,000	\$ 28,590,000	\$ 66,035,000	\$ 73,600,000	\$ 80,795,000	\$ 299,920,000	\$ 448,810,000
-	-	-	-	-	-	3,600,000
3,772,931	3,983,431	4,187,333	4,384,844	4,576,165	4,669,565	1,710,236
37,180,000	37,920,000	38,635,000	39,330,000	40,000,000	40,000,000	-
149,815,000	150,135,000	150,445,000	150,745,000	150,745,000	150,745,000	-
216,605,000	217,005,000	217,385,000	217,745,000	218,975,000	-	-
2,282,661	2,309,945	-	-	-	-	-
28,240,000	28,240,000	-	-	-	-	-
3,921,904	201,110	-	-	-	-	-
450,627,496	468,384,486	476,687,333	485,804,844	495,091,165	495,334,565	454,120,236
(3,440,321)	(4,371,510)	(2,267,963)	(2,672,587)	(3,077,212)	3,042,065	4,219,184
454,067,817	472,755,996	478,955,296	488,477,431	498,168,377	492,292,500	449,901,052
79,400,000	68,000,000	68,000,000	68,000,000	43,000,000	-	-
<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>	<u>\$ 449,901,052</u>

TRUCKEE MEADOWS WATER AUTHORITY
DEBT BY SERVICE CONNECTION
FOR FISCAL YEARS ENDED JUNE 30, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, and 2005
(UNAUDITED)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Total Debt	\$ 495,921,468	\$ 506,498,425	\$ 519,826,436	\$ 530,027,496	\$ 536,384,486
Total Service Connections	89,070	88,268	87,464	87,013	86,781
Debt per Service Connection	<u>\$ 5,568</u>	<u>\$ 5,738</u>	<u>\$ 5,943</u>	<u>\$ 6,091</u>	<u>\$ 6,181</u>

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

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

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COMPLIANCE SECTION

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

To the Board of Directors of the
Truckee Meadows Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements, and have issued our report thereon dated November 26, 2014.

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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Kafoury, Armstrong & Co.

Reno, Nevada
November 26, 2014

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

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

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

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

PRIOR YEAR RECOMMENDATIONS

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

CURRENT YEAR RECOMMENDATIONS

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