NEW ISSUE **RATINGS: S&P: "AA+"**
BOOK-ENTRY ONLY **Moody's: "Aa2"**
See "RATINGS"

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2017 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2017 Bonds (the "Tax Code"), and interest on the 2017 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS."

$147,415,000
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE REFUNDING BONDS
SERIES 2017

Dated: Date of Delivery **Due: July 1, as shown herein**

The 2017 Bonds are issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof. The 2017 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the 2017 Bonds. Purchases of the 2017 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017 Bonds. See "THE 2017 BONDS--Book-Entry Only System." The 2017 Bonds bear interest at the rates set forth below, payable on July 1, 2017, and semiannually thereafter on January 1 and July 1 of each year, to and including the maturity dates shown on the inside cover, unless the 2017 Bonds are redeemed earlier, by check or draft mailed to the registered owner of the 2017 Bonds, initially Cede & Co. The principal of the 2017 Bonds will be payable upon presentation and surrender at The Bank of New York Mellon Trust Company, N.A., Los Angeles, California (the "Trustee"), or its successor, as the paying agent for the 2017 Bonds. See "THE 2017 BONDS."

The maturity schedule for the 2017 Bonds is located on the inside cover page of this Official Statement.

The 2017 Bonds are subject to redemption prior to maturity as described in "THE 2017 BONDS - Redemption Provisions."

Proceeds of the 2017 Bonds will be used to: (i) refund all of the Authority's outstanding Water Revenue Refunding Bonds, Series 2007, as more particularly described herein; and (ii) pay the costs of issuing the 2017 Bonds. See "SOURCES AND USES OF FUNDS."

The 2017 Bonds constitute special, limited obligations of the Authority. The principal of and interest on the 2017 Bonds is payable solely from and secured by an irrevocable pledge of the Net Revenues (defined herein) derived by the Authority from the operation of the Water System (defined herein), together with certain interest income and other amounts as provided in the Bond Resolution (defined herein). The 2017 Bonds constitute an irrevocable pledge of the Net Revenues and the Bond Fund established by the Bond Resolution, on a parity with other outstanding obligations of the Authority described herein. See "SECURITY FOR THE BONDS" and "WATER SYSTEM FINANCIAL INFORMATION." **The 2017 Bonds do not constitute a general obligation of the Authority. Owners of the 2017 Bonds may not look to any funds or accounts of the Authority other than those specifically pledged to the payment of the 2017 Bonds. The 2017 Bonds do not constitute an obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada.** ***The Authority has no taxing power.***

This cover page contains certain information for quick reference only. It is *not* a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "CERTAIN RISK FACTORS."

The 2017 Bonds are offered when, as, and if issued by the Authority, subject to the approval of the legality of the 2017 Bonds by Sherman & Howard L.L.C., Reno, Nevada, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. also has acted as special counsel to the Authority in connection with the Official Statement. Certain legal matters will be passed upon for the Authority by its general counsel, McDonald Carano Wilson LLP, Reno, Nevada. Stradling Yocca Carlson & Rauth, P.C., Reno, Nevada, is acting as counsel to the Underwriters. It is expected that the 2017 Bonds will be available for delivery through the facilities of DTC, on or about April 11, 2017.

RBC Capital Markets

Morgan Stanley Citigroup

This Official Statement is dated March 9, 2017.

$147,415,000
TRUCKEE MEADOWS WATER AUTHORITY, NEVADA
WATER REVENUE REFUNDING BONDS
SERIES 2017

MATURITY SCHEDULE
(CUSIP© 6-digit issuer number: 897825)

Maturing (July 1)	Principal Amount	Interest Rate	Yield	CUSIP© Issue Number
2020	$10,535,000	4.00%	1.38%	GV1
2021	10,595,000	5.00	1.57	GW9
2022	11,560,000	5.00	1.82	GX7
2023	12,135,000	5.00	2.06	GY5
2024	12,745,000	5.00	2.31	GZ2
2025	12,300,000	5.00	2.54	HA6
2026	14,050,000	5.00	2.69	HB4
2027	14,760,000	5.00	2.81	HC2
2028	15,490,000	5.00	2.90[C]	HD0
2029	16,265,000	5.00	2.98[C]	HE8
2030	16,980,000	5.00	3.05[C]	HF5

[C] Yield to earliest optional redemption date of July 1, 2027.

© CUSIP® is a registered trademark of the American Bankers Association (the "ABA"). The CUSIP numbers set forth herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Capital IQ, a part of McGraw Hill Financial, Inc. The CUSIP numbers are provided for convenience of reference only. The Authority has no responsibility for the selection or accuracy of the CUSIP numbers.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2017 Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the 2017 Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Truckee Meadows Water Authority, Nevada (the "Authority"). The Authority maintains an internet website; however, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017 Bonds.

The information set forth in this Official Statement has been obtained from the Authority and from the other sources referenced throughout this Official Statement which are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information received from parties other than the Authority. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information, estimates, and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2017 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, or in the information, estimates, or opinions set forth herein, since the date of this Official Statement.

This Official Statement has been prepared only in connection with the original offering of the 2017 Bonds and may not be reproduced or used in whole or in part for any other purpose.

The 2017 Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. The 2017 Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE 2017 BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2017 BONDS, THE UNDERWRITERS MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

BOND AND SPECIAL COUNSEL
Sherman & Howard L.L.C.
Reno, Nevada

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc.
Las Vegas, Nevada

Public Financial Management, Inc.
Seattle, Washington

TRUSTEE AND ESCROW BANK
The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

UNDERWRITERS

RBC Capital Markets, LLC
San Francisco, California

Morgan Stanley
Los Angeles, California

Citigroup Global Markets, Inc.
Los Angeles, California

TABLE OF CONTENTS

Page

Page

INDEX OF TABLES

NOTE: Tables marked with an (*) indicate Annual Financial Information to be updated pursuant to SEC Rule 15c2-12, as amended. Other information to be updated is listed in APPENDIX E-Form of Continuing Disclosure Certificate.

OFFICIAL STATEMENT

$147,415,000
TRUCKEE MEADOWS WATER AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2017

INTRODUCTION

General

This Official Statement, including the cover page and the appendices, is furnished by the Truckee Meadows Water Authority (the "Authority"), a body corporate and politic, a quasi-municipal corporation, and a political subdivision of the State of Nevada (the "State"), to provide information about the Authority and its Water Revenue Refunding Bonds, Series 2017, in the aggregate principal amount of $147,415,000 (the "2017 Bonds"). The 2017 Bonds will be issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the Authority (the "Board") on February 16, 2017. Unless otherwise defined herein, capitalized terms used in this Official Statement are defined in Appendix B hereto.

The offering of the 2017 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2017 Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled "CERTAIN RISK FACTORS." Detachment or other use of this "INTRODUCTION" without the entire Official Statement, including the cover page and appendices, is unauthorized.

Changes from Preliminary Official Statement

Subsequent to the posting of the Preliminary Official Statement for the 2017 Bonds (the "POS"), the Authority received an additional $11,805,511 of insurance proceeds related to the Farad Facilities. Consequently, the total amount of insurance proceeds received by the Authority to date relating to the Farad Facilities has been updated to $21,410,911 under the heading "THE AUTHORITY – Debt Authorization, Outstanding Obligations and Other Obligations – Other Commitments or Material Receivables – *Farad Facilities*." Further, the Authority has begun discussing the termination of its Forward Sale Agreement (the "FSA") with JPMorgan Chase Bank, National Association ("JPM") relating to its Operation and Maintenance Reserve. The Authority presently expects to terminate the FSA at or shortly following the closing date for the 2017 Bonds and receive a termination payment from JPM; however, the termination date and termination value of the FSA are still being discussed among the parties and are subject to change. The information regarding the FSA set forth under the heading "THE AUTHORITY – Investment Policy" has been updated to reflect the foregoing.

The Authority

The Authority is a joint powers authority formed in November 2000, pursuant to a Cooperative Agreement (as amended and restated as of February 3, 2010, the "Cooperative Agreement") among the City of Reno, Nevada ("Reno"), the City of Sparks, Nevada ("Sparks") and Washoe County, Nevada (the "County"). The Authority owns and operates a water system (the "Water System") and develops, manages and maintains supplies of water for the benefit of the Truckee Meadows communities. The primary water source for the Authority is Lake Tahoe and the Truckee River system. On December 31, 2014, the County's water utility (the "Water Utility") and the South Truckee Meadows General Improvement District ("STMGID"), a smaller water utility in the same basin, were merged into the Authority. The Authority has a total of 154 square miles of service area (the "Service Area"), which includes the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority has no authority to provide water service outside of its Service Area; however, the Authority may provide service in the future to developments that are annexed into its Service Area.

Purpose

Proceeds of the 2017 Bonds will be used to: (i) refund the Authority's Water Revenue Refunding Bonds, Series 2007, maturing July 1, 2017 through July 1, 2030, inclusive, in the aggregate principal amount of $202,900,000 (the "Refunded Bonds"); and (ii) pay the costs of issuing the 2017 Bonds. See "SOURCES AND USES OF FUNDS." The refunding of the Refunded Bonds is referred to herein as the "Refunding Project."

Security

General. The 2017 Bonds constitute special, limited obligations of the Authority. The principal of and interest on the 2017 Bonds is payable solely from Net Revenues. Net Revenues is defined in the Bond Resolution as the gross revenues derived from the operation and use of, and otherwise pertaining to, the Water System (the "Gross Revenues"), after provision is made for the payment of all necessary and reasonable Operation and Maintenance Expenses of the Water System. "Operation and Maintenance Expenses" means, generally, all reasonable and necessary current expenses of the Authority, paid or accrued, of operating, maintaining, and repairing the Water System or any other designated facilities in connection with which such term is used. For more detailed definitions of Gross Revenues and Operation and Maintenance Expenses, see "SECURITY FOR THE BONDS--Net Revenues" and Appendix B.

Lien Priority and Additional Bonds. The 2017 Bonds constitute an irrevocable lien upon the Net Revenues (but not necessarily an exclusive lien) on a parity with the lien thereon of $152,710,000 (after taking the Refunding Project into account) aggregate outstanding principal amount of the Authority's bonds, consisting of the Authority's: (i) Water Revenue Refunding Bonds, Series 2015A (the "2015A Bonds"), currently outstanding in the aggregate principal amount of $27,920,000; and (ii) Water Revenue Refunding Bonds, Series 2016, currently outstanding in the aggregate principal amount of $124,790,000 (the "2016 Bonds"). The outstanding 2015A Bonds and 2016 Bonds are referred to collectively in this Official Statement as the "Prior Bonds." The Prior Bonds and the 2017 Bonds are referred to collectively as the "Bonds."

The Authority also has outstanding certain bonds, loans and commercial paper notes with a lien on the Net Revenues that is subordinate to the lien thereon of the Bonds. See “THE AUTHORITY--Debt Authorization, Outstanding Obligations and Other Obligations.”

Subject to express conditions set forth in the Bond Resolution, additional obligations may be issued having a lien on the Net Revenues on a parity with the lien thereon of the 2017 Bonds (“Additional Parity Securities”). See “SECURITY FOR THE BONDS--Additional Parity Securities” and “THE AUTHORITY--Debt Authorization, Outstanding Obligations and Other Obligations.”

Special, Limited Obligations. The 2017 Bonds do not constitute a general obligation of the Authority. Owners of the 2017 Bonds may not look to any funds or accounts of the Authority other than those specifically pledged by the Authority to the payment of the 2017 Bonds. The 2017 Bonds do not constitute an obligation of Reno, Sparks, the County or the State. *The Authority has no taxing power.*

The 2017 Bonds; Redemption Provisions

The 2017 Bonds are issued solely as fully registered certificates in the denomination of $5,000, or any integral multiple thereof. The 2017 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), the securities depository for the 2017 Bonds. Purchases of the 2017 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017 Bonds. See “THE 2017 BONDS--Book-Entry Only System.” The 2017 Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page of this Official Statement. The payment of principal and interest on the 2017 Bonds is described in “THE 2017 BONDS--Payment Provisions.”

Certain 2017 Bonds are subject to redemption prior to maturity at the option of the Authority as described in “THE 2017 BONDS--Redemption Provisions.”

Authority for Issuance

The 2017 Bonds are issued in full conformity with the constitution and laws of the State of Nevada, particularly Nevada Revised Statutes (“NRS”) 277.080 to 277.180, inclusive (the “Authority Act”), the Local Government Securities Act, NRS 350.500 through 350.720, inclusive, NRS Chapter 348 (the “Supplemental Bond Act”), and the Bond Resolution.

Professionals

Sherman & Howard L.L.C., Reno, Nevada, has acted as Bond Counsel in connection with the execution and delivery of the 2017 Bonds. Sherman & Howard L.L.C. has also acted as special counsel to the Authority in connection with preparation of this Official Statement. Certain legal matters will be passed on for the Authority by its general counsel, McDonald Carano Wilson LLP, Reno, Nevada. Hobbs, Ong & Associates, Inc., Las Vegas, Nevada, and Public Financial Management, Inc., Seattle, Washington, have acted as the financial advisors to the Authority (the “Financial Advisors”). See “FINANCIAL ADVISORS.” The fees being paid to the Financial Advisors are contingent upon the execution and delivery of the 2017

Bonds. The audited financial statements included in Appendix A of this Official Statement include the report of Eide Bailly LLP, Reno, Nevada, certified public accountants, Reno, Nevada. See "INDEPENDENT AUDITORS." The Bank of New York Mellon Trust Company, N.A, Los Angeles, California, will act as the trustee, paying agent and registrar for the 2017 Bonds (the "Trustee") and also will act as the escrow bank (the "Escrow Bank") in connection with the Refunding Project. Certain mathematical computations regarding the Escrow Account will be verified by Grant Thornton LLP, certified public accountants, Minneapolis, Minnesota. See "SOURCES AND USES OF FUNDS--The Refunding Project-- Verification of Mathematical Computations."

Tax Matters

Federal Tax Matters. In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the 2017 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2017 Bonds (the "Tax Code") and interest on the 2017 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. See "TAX MATTERS--Federal Tax Matters."

State Tax Matters. In the opinion of Bond Counsel, the 2017 Bonds are free and exempt from taxation by the State or any subdivision thereof except for the taxes imposed pursuant to Chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to Chapter 375B of NRS. See "TAX MATTERS--State Tax Exemption."

Continuing Disclosure Undertaking

The Authority will execute a continuing disclosure certificate (the "Disclosure Certificate") at the time of the closing for the 2017 Bonds. The Disclosure Certificate will be executed for the benefit of the beneficial owners of the 2017 Bonds and the Authority will covenant in the Bond Resolution to comply with its terms. The Disclosure Certificate will provide that so long as the 2017 Bonds remain outstanding, the Authority will annually provide the following information to the Municipal Securities Rulemaking Board: (i) certain financial information and operating data; and (ii) notice of certain material events. The form of the Disclosure Certificate is attached hereto as Appendix E. In the last five years, the Authority has not failed to materially comply with any prior continuing disclosure undertakings entered into pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule").

Additional Information

This introduction is only a brief summary of the provisions of the 2017 Bonds and the Bond Resolution; a full review of the entire Official Statement should be made by potential investors. Brief descriptions of the Refunding Project, the Water System, the Authority, the Bond Resolution, the 2017 Bonds and various other documents and agreements are included in this Official Statement. All references herein to the 2017 Bonds, the Bond Resolution and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.*

Copies of the documents referred to herein are available from the Authority and the Financial Advisors as provided below:

Truckee Meadows Water Authority
Attn: Chief Financial Officer
1355 Capital Boulevard
Reno, Nevada 89502
(or P.O. Box 30013 Reno, Nevada 89520-3013)
Telephone: (775) 834-8284

Hobbs, Ong & Associates, Inc. 3900 Paradise Road, Suite 152 Las Vegas, Nevada 89169 Telephone: (702) 733-7223	Public Financial Management, Inc. 1200 Fifth Avenue, Suite 1220 Seattle, Washington 98101 Telephone: (206) 264-8900

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The proceeds from the sale of the 2017 Bonds are expected to be applied in the following manner:

Estimated Sources and Uses of Funds

	Amount
SOURCES:	
Principal amount of 2017 Bonds	$147,415,000.00
Plus original issue premium	24,853,662.25
Other available funds[(1)]	35,463,673.35
Total	$207,732,335.60
USES:	
The Refunding Project	$207,049,764.00
Costs of Issuance (including underwriting discount)	682,571.60
Total	$207,732,335.60

(1) Consists of amounts on deposit in the bond fund for the Refunded Bonds and amounts in the reserve fund established for the Prior Bonds and the Refunded Bonds.

Source: The Financial Advisors.

The Refunding Project

General. The net proceeds of the 2017 Bonds will be used to refund the Refunded Bonds for net present value savings. In order to accomplish the Refunding Project, the Authority will deposit a portion of the 2017 Bond proceeds, together with other available moneys, with the Escrow Bank pursuant to an Escrow Agreement between the Authority and the Escrow Bank. The amounts deposited with the Escrow Bank will be deposited into the Escrow Account created under the Bond Resolution and invested in federal securities maturing at such times and in such amounts as required to provide funds sufficient to pay: (i) the interest on the Refunded Bonds as it becomes due through July 1, 2017; and (ii) the principal of the Refunded Bonds as it becomes due upon maturity or prior redemption on July 1, 2017.

Verification of Mathematical Computations. The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the federal securities and cash deposited in the Escrow Account to provide for the payment of the principal and interest with respect to the Refunded Bonds when due or upon prior redemption, which computations support the conclusion of Bond Counsel that the 2017 Bonds are not “arbitrage bonds” under Section 148 of the Tax Code, will be verified by Grant Thornton LLP, certified public accountants, Minneapolis, Minnesota.

THE 2017 BONDS

General

The 2017 Bonds are issued solely as fully registered 2017 Bonds in the denomination of $5,000 and integral multiples thereof. The 2017 Bonds are initially to be registered in the name of "Cede & Co.," as nominee for DTC, the securities depository for the 2017 Bonds. See "Book-Entry Only System" below and Appendix C. The 2017 Bonds will be dated as of the date of delivery and will mature and bear interest as set forth on the inside cover page of this Official Statement. Interest on the 2017 Bonds (calculated based on a 360-day year consisting of twelve 30-day months) is payable semiannually on January 1 and July 1, commencing on July 1, 2017.

Payment Provisions

Interest on the 2017 Bonds is payable by check or draft mailed by the Trustee, or its successor as Trustee, paying agent and registrar, on the interest payment date (or if such day is not a business day, on the next succeeding business day) to the person in whose name each 2017 Bond is registered (i.e., to Cede & Co.) on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date"), at the address shown on the registration records maintained by the Trustee as of the close of business on the Regular Record Date. Any interest not timely paid or duly provided for shall cease to be payable to the owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the owner thereof, at his or her address, as shown on the registration records of the Registrar as of the close of business on a date fixed to determine the names and addresses of owners for the purpose of paying defaulted interest (the "Special Record Date"). The Trustee will establish the Special Record Date whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date will be given to the owners of the 2017 Bonds not less than ten days prior thereto. Principal due on the 2017 Bonds will be payable at maturity or upon redemption at the office of the Trustee upon presentation and surrender thereof. If any 2017 Bond shall not be paid upon presentation at maturity, it shall continue to draw interest at the interest rate borne by the 2017 Bond prior to maturity until the principal and interest thereof is paid in full. The Trustee may make payments of interest on any 2017 Bond by such alternative means as may be mutually agreed to between the registered owner of such 2017 Bond and the Trustee. All such payments shall be made in lawful money in the United States of America without deduction for any service charges of the Trustee.

Notwithstanding the foregoing, payments of the principal of and interest on the 2017 Bonds will be made directly to DTC or its nominee, Cede & Co., by the Paying Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursement of such payments to DTC's Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and the Indirect Participants, as more fully described herein. See "Book-Entry Only System" below.

Redemption Provisions

Optional Redemption. The 2017 Bonds maturing on and before July 1, 2027, are not subject to redemption prior to their respective maturities. The 2017 Bonds maturing on and after July 1, 2028, are subject to redemption prior to their respective maturities, at the option of the Authority, on July 1, 2027, or any date thereafter, in whole or in part, in integral multiples of $5,000, from such maturities or any portions of maturities selected by the Authority and by lot within a maturity in such manner as the Trustee shall determine, at a redemption price equal to the principal amount so redeemed plus accrued interest thereon to the redemption date.

Notice of Redemption. Unless waived by any registered owner of a 2017 Bond to be redeemed, notice of prior redemption shall be given electronically by the Registrar, as long as Cede & Co. is registered owner of the 2017 Bonds, and otherwise by first-class mail, at least 30 days but not more than 60 days prior to the Redemption Date to the Municipal Securities Rulemaking Board ("MSRB") via its Electronic Municipal Market Access, and to the registered owner of any 2017 Bond (initially Cede & Co.) all or a part of which is called for prior redemption at his or her address as it last appears on the registration records kept by the Registrar. Actual receipt of notice by the MSRB or any registered owner of 2017 Bonds shall not be a condition precedent to redemption of such 2017 Bonds. Failure to give such notice to the MSRB or the registered owner of any 2017 Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2017 Bond.

Each notice may state that such redemption shall be conditional upon the Paying Agent receiving for deposit in the Bond Fund on or prior to the date fixed for redemption, monies authorized by the Authority to be deposited into the Bond Fund that are sufficient to pay the principal of and interest and prior redemption premium, if any, on the 2017 Bonds to be redeemed and that if such monies have not been so received, the notice shall be of no force and effect and the Authority shall not be required to redeem such 2017 Bonds.

Official notice of redemption having been given as described above, the 2017 Bonds or portions of 2017 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall not have deposited payment of the redemption price into the Bond Fund) such 2017 Bonds or portions of 2017 Bonds shall cease to bear interest.

Tax Covenant

In the Bond Resolution, the Authority covenants for the benefit of each holder of the 2017 Bonds that it will not take any action or omit to take any action with respect to the 2017 Bonds, the proceeds thereof, any other funds of the Authority or any facilities refinanced with the proceeds of the 2017 Bonds if such action or omission (i) would cause the interest on the 2017 Bonds to lose its exclusion from gross income for Federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the 2017 Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the 2017 Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Book-Entry Only System

The 2017 Bonds will be available only in book-entry form in the principal amount of $5,000 or any integral multiple thereof. DTC will act as the initial securities depository for the 2017 Bonds. The ownership of one fully registered 2017 Bond for each maturity and interest rate will be registered in the name of Cede & Co., as nominee for DTC. See "Appendix C - Book-Entry Only System."

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2017 BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS (OR THE OWNERS) WILL MEAN CEDE & CO. AND WILL <u>NOT</u> MEAN THE BENEFICIAL OWNERS.

Neither the Authority nor the Trustee will have any responsibility or obligation to DTC's participants or indirect participants, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the DTC Participants, the Indirect Participants or the Beneficial Owners (all as defined in Appendix C hereto) of the 2017 Bonds as further described in Appendix C to this Official Statement.

[The remainder of this page intentionally left blank.]

DEBT SERVICE REQUIREMENTS

The following table sets forth: (i) the debt service requirements for the 2017 Bonds; (ii) the debt service requirements for the Prior Bonds after taking the Refunding Project into account; and (iii) the total debt service requirements for the 2017 Bonds and the Prior Bonds. *The schedule shows debt service payable in each Bond Year ending July 1, not in the Authority's fiscal year.*

Debt Service Requirements[1]

Bond Year Ending July 1[2]	2017 Bonds Principal[3]	2017 Bonds Interest	2017 Bonds Total	Total Debt Service on Prior Bonds[4]	Total Debt Service[5]
2017	--	1,614,533	1,614,533	$ 4,635,650	6,250,183
2018	--	7,265,400	7,265,400	8,430,800	15,696,200
2019	--	7,265,400	7,265,400	8,435,400	15,700,800
2020	10,535,000	7,265,400	17,800,400	8,443,400	26,243,800
2021	10,595,000	6,844,000	17,439,000	8,449,000	25,888,000
2022	11,560,000	6,314,250	17,874,250	8,459,250	26,333,500
2023	12,135,000	5,736,250	17,871,250	8,461,500	26,332,750
2024	12,745,000	5,129,500	17,874,500	8,471,000	26,345,500
2025	12,300,000	4,492,250	16,792,250	8,472,250	25,264,500
2026	14,050,000	3,877,250	17,927,250	8,480,500	26,407,750
2027	14,760,000	3,174,750	17,934,750	8,485,250	26,420,000
2028	15,490,000	2,436,750	17,926,750	8,481,500	26,408,250
2029	16,265,000	1,662,250	17,927,250	8,489,500	26,416,750
2030	16,980,000	849,000	17,829,000	8,488,500	26,317,500
2031	--	--	--	32,003,750	32,003,750
2032	--	--	--	32,014,250	32,014,250
2033	--	--	--	32,011,250	32,011,250
2034	--	--	--	32,012,250	32,012,250
2035	--	--	--	10,883,750	10,883,750
2036	--	--	--	10,878,750	10,878,750
2037	--	--	--	8,615,250	8,615,250
Totals:	$147,415,000	$63,926,983	$211,341,983	$273,102,750	$484,444,733

(1) Does not include debt service on certain subordinate obligations of the Authority. See "THE AUTHORITY--Debt Authorization, Outstanding Obligations and Other Obligations." Totals may not add due to rounding.

(2) In the Bond Year ending July 1, 2017, interest payments already made on January 1, 2017, have been deducted.

(3) Assumes that no optional redemptions are made prior to maturity but that any mandatory sinking fund redemptions are made as scheduled.

(4) Assumes that no optional redemptions are made prior to maturity but that any mandatory sinking fund redemptions are made as scheduled. Certain interest totals were rounded to the nearest whole dollar.

(5) Certain interest totals were rounded to the nearest whole dollar.

Source: The Financial Advisors.

SECURITY FOR THE BONDS

Limited Obligations

The 2017 Bonds are special, limited obligations of the Authority payable solely from the Net Revenues (Gross Revenues less Operation and Maintenance Expenses) of the Water System. The 2017 Bonds are secured by and constitute an irrevocable lien (but not necessarily an exclusive lien) on the Net Revenues, and the Net Revenues are pledged to the payment of the 2017 Bonds.

The 2017 Bonds do not constitute a general obligation debt or indebtedness of Reno, Sparks, the County, the State, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or provision, nor do they constitute a lien on any properties owned by or located within the boundaries of the Authority (other than the Net Revenues). The owners of the 2017 Bonds do not have the right to require or compel the exercise of the ad valorem taxing power of Reno, Sparks, the County or any other taxing entity for payment of the principal of and interest on the 2017 Bonds. The Authority has no taxing power. The owners of the 2017 Bonds may not look to any funds of the Authority (other than those pledged under the Bond Resolution) for payment of the 2017 Bonds. Therefore, the security for the punctual payment of the principal of and interest on the 2017 Bonds is dependent upon the generation of Net Revenues in an amount sufficient to meet the debt service requirements of the 2017 Bonds.

Net Revenues

The principal of and interest on the 2017 Bonds is payable solely from Net Revenues. Net Revenues are defined in the Bond Resolution as Gross Revenues remaining after the deduction of the Operation and Maintenance Expenses of the Water System, or any other facilities in connection with which the defined term is used.

"Gross Revenues" are defined in the Bond Resolution as all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Authority from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the Water System, including, without limitation, all rates, fees, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the Authority from the Water System, including, without limitation, all fees, rates, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" also include: (i) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross

Revenues or Net Revenues; and (ii) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in the Bond Resolution.

"Operation and Maintenance Expenses" (or phrases of similar import), as defined in the Bond Resolution, generally means all reasonable and necessary current expenses of the Authority, paid or accrued under generally accepted accounting principles, of operating, maintaining, and repairing the Water System or any other designated facilities in connection with which such term is used. For a detailed definition of Operation and Maintenance Expenses, see Appendix B.

Funds and Accounts Created in the Bond Resolution

The Bond Resolution continues numerous funds and accounts previously created to account for the Gross Revenues. Each of the funds and accounts is defined in Appendix B hereto and discussed in further detail in "Flow of Funds" below. The Bond Resolution continues the Bond Fund previously created which will be held by the Trustee. The Bond Fund includes the Interest Account and the Principal Account.

The Bond Resolution also continues certain funds and accounts previously created which will be under the control of the Authority and will not be held by the Trustee. These include: the Revenue Fund, the Rebate Account, the Operation and Maintenance Account, the Operation and Maintenance Reserve Account, the Renewal and Replacement Account, the Rate Stabilization Account and the General Purpose Account.

Flow of Funds

Flow of Funds Chart. The following chart generally depicts the flow of Gross Revenues through the various funds and accounts established in the Bond Resolution. *The flowchart is a general representation only; in order to gain a more complete understanding of the funding requirements for each fund and account and other restrictions on the uses of moneys in such funds and accounts, investors must review the more detailed description of the flow of funds set forth below in "Flow of Funds."*

Gross Revenues - Flow of Funds

REVENUE FUND
Pursuant to the Bond Resolution, all Gross Revenues will be deposited in the Revenue Fund and transfers made from the Revenue Fund will be made at the following times and in the following order of priority:

↓

First, monthly, to the **Operation and Maintenance Account.**

↓

Second, monthly, to the **Bond Fund** (**Interest Account** and **Principal Account**)

↓

Third, as required, to the **Rebate Account**.

↓

Fourth, for payment of Subordinate Securities (including debt service, reserve and rebate requirements).

↓

Fifth, monthly, to the **Operation and Maintenance Reserve Account**.

↓

Sixth, monthly, to the **Renewal and Replacement Account**.

↓

Seventh, monthly, to the **Rate Stabilization Account**.

↓

Eighth, at least annually, to the **General Purpose Account**.

Flow of Funds. So long as any of the 2017 Bonds are Outstanding, all Gross Revenues, upon their receipt from time to time by the Authority, shall be deposited at least weekly, as far as practicable, and shall be set aside and credited immediately to the Revenue Fund. Pursuant to the Bond Resolution, in each Fiscal Year the moneys on deposit in the Revenue Fund must be applied at the following times and in the following order of priority (see Appendix B for definitions of capitalized terms not previously defined in this Official Statement):

(1) Operation and Maintenance Expenses. First, as a first charge on the Revenue Fund, from time to time there shall be set aside in and credited to the Operation and Maintenance Account, moneys sufficient to pay Operation and Maintenance Expenses by the last day of the month that is at least one month before such expenses are to be paid, and thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be transferred for credit to the Revenue Fund and used as described in this section.

(2) Bond Fund Payments. Second, from any moneys remaining in the Revenue Fund, and concurrently with the transfers into the Interest Account and Principal Account required by the resolutions authorizing the issuance of the Prior Bonds, to the Trustee and credited to the Bond Fund, the following amounts:

(a) Interest Payments. Monthly, into the Interest Account, within the Bond Fund, commencing on the first day of the month that is one full month after the delivery date of the 2017 Bonds, and on the first day of the month succeeding the delivery of any other parity securities hereafter issued and payable from the Bond Fund, an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor or from whatever source, to pay the next accruing installment of interest on the 2017 Bonds and any additional parity securities then Outstanding (including payments due on any Qualified Swap) and monthly thereafter, commencing on each interest payment date, the amount necessary to accumulate the next accruing installment of interest on the 2017 Bonds and any additional parity securities then Outstanding (including payments due on any Qualified Swap) in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

(b) Principal Payments. Monthly, into the Principal Account, within the Bond Fund, commencing on the first day of the month of the year immediately preceding the first principal payment date of the 2017 Bonds or any parity securities hereafter issued and payable from the Bond Fund (i.e., 12 months prior to the first date on which the principal of such bonds is due), an amount in substantially equal monthly installments necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2017 Bonds and any additional parity securities then Outstanding, and monthly thereafter, commencing on each principal payment date, the amount necessary to accumulate the next maturing installment of principal (including any mandatory sinking fund or prior redemption payments then due) of the 2017 Bonds, and any such additional parity securities then Outstanding, in equal monthly installments prior to the due date thereof, except to the extent any other moneys are available therefor on the due date of such installment.

The moneys credited to the Interest Account and the Principal Account within the Bond Fund shall be used to pay the Bond Requirements of the Prior Bonds, the 2017 Bonds and any additional parity securities hereafter issued as such Bond Requirements become due.

(3) Rebate Account. Third, and subject to the deposits required by paragraphs (1) and (2) above, but before the transfer of any Net Revenues to the payment of subordinate securities, such amounts as are required to be deposited in the Rebate Account to meet the Authority's obligations under the tax covenant contained in the Bond Resolution with respect to the 2017 Bonds (see "Tax Covenant" above), in accordance with Section 148(f) of the Tax Code.

Amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by such covenant and Section 148(f) of the Tax Code. Any amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn and used for any lawful purpose as provided in the Bond Resolution.

(4) <u>Payment of Subordinate Securities</u>. Fourth, and subject to the above provisions (but subsequent to the payments required by paragraphs (2) and (3) above, and subject to the provisions of the Bond Resolution regarding interfund loans), any moneys remaining in the Revenue Fund may be used by the Authority acting by and through the Trustee for the payment of Bond Requirements of subordinate bonds or other subordinate securities payable from Pledged Revenues and hereafter authorized to be issued in accordance with the provisions of the Bond Resolution, including reasonable reserves for such securities and rebate requirements for such securities, as the same accrue; but the lien of such subordinate bonds or other subordinate securities on the Net Revenues and the pledge thereof for the payment of such securities shall be subordinate to the lien and pledge of the 2017 Bonds.

(5) <u>Operation and Maintenance Reserve Account</u>. Fifth, and subject to the above provisions, from any moneys remaining in the Revenue Fund there shall be credited to the Operation and Maintenance Reserve Account monthly, an amount sufficient to accumulate the Minimum Operation and Maintenance Reserve (defined below) in 60 substantially equal monthly installments. For this purpose, in each Fiscal Year during such 60-month period the Authority will calculate the substantially equal monthly amount that would be sufficient to accumulate over the then remaining months in such 60-month period, an amount equal to the Minimum Operation and Maintenance Reserve. In any Fiscal Year, the amount of the Minimum Operation and Maintenance Reserve shall be determined based on that Fiscal Year's budget.

"Minimum Operation and Maintenance Reserve" means at any time in each Fiscal Year an amount at least equal to one-sixth of the aggregate amount of the Operation and Maintenance Expenses of the Water System for the Fiscal Year as fixed by the then current budget for that year, which minimum amount is required to be deposited, accumulated or reaccumulated, and maintained in the Operation and Maintenance Reserve Account.

After the balance in the Operation and Maintenance Reserve Account initially has reached an amount equal to the Minimum Operation and Maintenance Reserve, if, at the beginning of any Fiscal Year, the amount accounted for in the Operation and Maintenance Reserve Account is less than the Minimum Operation and Maintenance Reserve for the Fiscal Year as stated in the budget therefor, there shall be credited to the Operation and Maintenance Reserve Account, in 12 substantially equal monthly installments commencing on the first day of the Fiscal Year, an amount at least equal to the remainder of the Minimum Operation and Maintenance Reserve for the Fiscal Year less the amount accounted for in that account at the beginning of the Fiscal Year. No payment need be made into the Operation and Maintenance Reserve Account so long as the moneys therein shall then equal not less than the Minimum Operation and Maintenance Reserve. The moneys in the Operation and Maintenance Reserve Account shall be accumulated or reaccumulated and maintained as a continuing reserve to be used only to prevent deficiencies in the payment of the Water System's Operation and Maintenance Expenses resulting from the failure to deposit into the Operation and Maintenance Account pursuant to paragraph (1) above sufficient funds to pay such expenses as the same accrue and become due. If at any time the moneys credited to the Operation and Maintenance

Account are not sufficient to pay Operation and Maintenance Expenses, the Authority acting by and through the Authority Manager or the Chief Financial Officer may requisition the additional moneys needed therefor, and thereupon such moneys shall be withdrawn from the Operation and Maintenance Reserve Account and transferred to the Operation and Maintenance Account. Any moneys accounted for in the Operation and Maintenance Reserve Account and exceeding the Minimum Operation and Maintenance Reserve for the then current Fiscal Year may be transferred to and deposited in the Revenue Fund.

The Operation and Maintenance Reserve Account is currently fully funded at $8,955,188.

(6) Renewal and Replacement Account. Sixth, and subject to the above provisions, from any moneys remaining in the Revenue Fund there shall be credited to the Renewal and Replacement Account monthly, the sum of $166,000 per month, unless the amount of $10,000,000 (the "Emergency Capital Amount") is on deposit therein. If the Professional Engineer determines that the aforesaid monthly payments and the Emergency Capital Amount are insufficient or excessive for the purposes for which the Renewal and Replacement Account is established, the monthly payments into that account shall be adjusted in the amount directed by the Professional Engineer until the aggregate amount so determined by the Professional Engineer is on deposit therein, but in no event at a rate less than $33,333 per month or in an aggregate amount less than $2,000,000 (except for any period during which the Emergency Capital Amount is being accumulated or reaccumulated). The Authority shall expend moneys in the Renewal and Replacement Account only to make up deficiencies in the Bond Fund and to pay the cost of, and to create a reserve for the payment of the cost of, emergency capital improvements, extraordinary maintenance, repairs, renewals, and replacements to the Water System as shall not be annually recurring in nature, as determined by the Professional Engineer, unless otherwise provided by the Board.

The Renewal and Replacement Account is currently fully funded at $10,000,000.

(7) Rate Stabilization Account. Seventh, and subject to the above provisions, from any moneys remaining in the Revenue Fund there shall be withdrawn from the Revenue Fund, and credited monthly, to the Rate Stabilization Account, an amount sufficient to accumulate in 12 substantially equal monthly installments the Rate Stabilization Amount (which shall not be less than $500,000) as is designated by the Authority for that Fiscal Year and pertaining to the Water System. No deposit need be made into the Rate Stabilization Account if the amount therein equals or exceeds the Rate Stabilization Amount for the Fiscal Year. Such amounts shall be used for expenditure from time to time for any lawful purpose or purposes of the Authority pertaining to the Water System, and any other water facilities of the Authority, and to be held as a reserve therefor. Expenditures from the Rate Stabilization Account shall be in accordance with an annual budget for the account established by the Authority. At the beginning of each Fiscal Year any moneys accounted for in the Rate Stabilization Account, whether or not encumbered to pay obligations accrued and to accrue under any existing contract made by the Authority prior to such Fiscal Year, shall remain in the Rate Stabilization Account for the purposes of the account designated above in this section, until expended for any such purposes. Amounts in the Rate Stabilization Account at the beginning of a Fiscal Year which are deposited into the Revenue Fund in that Fiscal Year are Gross Revenues for Fiscal Year in which they are deposited into the Revenue Fund.

The balance in the Rate Stabilization Account is fully funded in an amount equal to $1,848,864 (including requirements related to a Board-approved increase).

(8) General Purpose Account. Eighth, and subject to the payment of the provider of a Qualified Surety Bond of any interest on amounts advanced and any expenses incurred under the Qualified Surety Bond required to be paid pursuant to an agreement between the Authority and the provider of such Qualified Surety Bond, and subject to the above provisions, from any moneys remaining in the Revenue Fund, at least annually by the end of each Fiscal Year, there shall to be set aside and credited to the General Purpose Account, on or before the last day of each Fiscal Year the remaining revenues in the Revenue Fund. Moneys accounted for in such account, as may be determined and directed from time to time by the Authority Manager within budget limitations fixed by the Board, but subject to any limitations herein or in any other contract pertaining to such account, may be withdrawn in any priority for any one, all, or any other combination of the following, as the Authority Manager may from time to time determine:

(a) Capital Costs. To pay the costs of constructing or otherwise acquiring any betterments of, enlargement of, extensions of, or any other improvements to the Water System, or any part thereof, and any equipment therefor, authorized by law;

(b) Major Maintenance Costs. To pay the costs of extraordinary and major repairs, renewals, replacements, or maintenance items pertaining to any properties of the Water System of a type not recurring annually or at shorter intervals and not defrayed by the monies in the Extraordinary Maintenance Account or otherwise as Operation and Maintenance Expenses;

(c) Lawful Refunds. To make any lawful refund of any Pledged Revenues due any Person;

(d) Bond Requirements. To pay any bonds or other securities pertaining to the Water System and payable from the Net Revenues (regardless of whether such securities are secured by a lien thereon), including, without limitation, the 2017 Bonds, as to Bond Requirements and any other appurtenant charge, at the fixed maturity dates pertaining to such Bond Requirements, or any Redemption Date or Redemption Dates, or by purchase in the open market, or otherwise;

(e) Lawsuit Obligations. To pay any obligations pertaining to the Water System and arising from a judgment against the Authority or any officer, employee, or other agent of the Authority acting within the scope of his official duties, rights, or privileges, or the scope of his employment, as the case may be, in any suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, or a settlement by the Authority of any claim to avoid or to settle such a suit, action, or special proceedings, except to the extent revenues are otherwise available to defray such an obligation, including, without limitation, insurance proceeds; and

(f) Lawful Purpose. For any other lawful purpose as the Authority may determine, provided that no such amount shall be used for a purpose that is not a capital or working capital expense of the Authority unless the balance in the General Purpose Account, after payment of such non-capital or non-working capital expense, is at least equal to six months of Operation and Maintenance Expenses based on the then current budget of the Authority.

Rate Maintenance Covenant

In the Bond Resolution, the Authority covenants to maintain a schedule of rates, fees, and other charges for water and other goods and services provided by the Water System so that the amount of the Gross Revenues in each Fiscal Year equals at least the sum of: (a) the amount of Gross Revenues required to pay Operation and Maintenance Expenses for such Fiscal Year; plus (b) the greater of (i) 1.25 times the Bond Requirements for the Comparable Bond Year of the Outstanding 2017 Bonds and all other Outstanding parity securities (including the Prior Bonds); or (ii) all other amounts payable from the Gross Revenues and pertaining to the Water System, including, without limitation, debt service on any parity or subordinate securities, Operation and Maintenance reserves, capital reserves, any requirements of an agreement between the Authority and the provider of a Qualified Surety Bond, and prior deficiencies pertaining to any account relating to Gross Revenues.

Notwithstanding the foregoing, the covenant described above is subject to compliance by the Authority with any legislation of the United States, the State, or other governmental body, or any regulation or other action taken by the federal government, any State agency, or any political subdivision of the State pursuant to such legislation, in the exercise of the police power thereof for the public welfare, which legislation, regulation, or action limits or otherwise inhibits the amounts of any rates, fees, and other charges due to the Authority for the use of or otherwise pertaining to any and all services rendered by or at the Water System, including, without limitation, increases in the amounts of such rates, fees, or other charges (or any combination thereof).

Additional Parity Securities

Additional Parity Obligations. The Bond Resolution permits the Authority to issue additional obligations having a lien on Net Revenues on a parity with the lien of the 2017 Bonds upon the satisfaction of certain conditions. Additional Parity Bonds may be issued only if the following conditions are met:

A. The Authority may not be in default in making any payments for parity securities required by the Bond Resolution (see "Flow of Funds" above).

B. Either: (1) the estimated Gross Revenues to be derived for each of the immediately succeeding five Fiscal Years after the estimated date of the completion of the project effected in whole or in part with the proceeds of the parity securities to be issued for each such Fiscal Year shall be at least in an amount equal to the sum of the following for each of such five Fiscal Years: (a) an amount equal to the Operation and Maintenance Expenses of the Water System for such Fiscal Year, and (b) an amount equal to the sum of 1.25 times the combined maximum annual principal and interest requirements for the Outstanding 2017 Bonds, any other Outstanding Additional Parity Securities (including the Prior Bonds) and the Additional Parity Securities proposed to be issued; or

(2) the Net Revenues for the immediately preceding Fiscal Year or (ii) any 12 consecutive months of the immediately preceding 18 months are equal to or greater than

1.25 times the combined maximum annual principal and interest requirements of the Outstanding 2017 Bonds and any other Outstanding Additional Parity Securities (including the Prior Bonds) and the Additional Parity Securities proposed to be issued.

For a detailed definition of "Bond Requirements," a description of situations in which the annual Bond Requirements may be reduced, as well as a description of the treatment (for additional bond test purposes) of variable rate bonds, letter of credit term loan provisions, and the treatment of swap termination payments, see Appendix B - Summary of Certain Provisions of the Bond Resolution.

In any computation to determine whether or not Additional Parity Securities may be issued as provided in paragraphs B(1) or (2) above, the amount of Gross Revenues or Net Revenues shall be decreased and may be increased by the amount of any loss or gain conservatively estimated by an Independent Accountant, a Professional Engineer or the Chief Financial Officer making the computations, which loss or gain results from any change in any schedule of rates, fees and charges or any annexations or extensions to the Water System which took effect during the next preceding Fiscal Year or thereafter prior to the issuance of such parity securities, based on the number of ratepayers during such next preceding Fiscal Year as if such modified schedule of rates, fees and charges and number of ratepayers shall have been in effect during the entire next preceding Fiscal Year, if the change shall have been made by the Authority before the computation of the designated earnings test but made in the same Fiscal Year as the computation is made or in the next preceding Fiscal Year.

A written certification or written opinion by the Chief Financial Officer, a Professional Engineer or an Independent Accountant that such annual revenues are sufficient to pay the amounts described in paragraph B(2), when adjusted thereby as in the Bond Resolution, or a written certification or written opinion by the Chief Financial Officer, a Professional Engineer or an Independent Accountant that such annual revenues are sufficient to pay the amounts described in paragraph B(1) above, based upon estimates as provided in paragraph B(1), shall be conclusively presumed to be accurate in determining the right of the Authority to authorize, issue, sell, and deliver Additional Parity Securities.

Refunding Bonds. The Authority may issue refunding bonds with a lien on the Net Revenues on a parity with the lien thereon of the 2017 Bonds upon satisfaction of the conditions described in Appendix B - Summary of Certain Provisions of the Bond Resolution--Refunding Securities.

Superior Obligations Prohibited; Subordinate Obligations Permitted

The Authority may not issue any additional obligations with a lien on the Net Revenues which is prior or superior to the lien of the 2017 Bonds. The Authority may issue obligations with a lien on the Net Revenues which is subordinate to the lien of the 2017 Bonds.

CERTAIN RISK FACTORS

The purchase of the 2017 Bonds involves special risks and the 2017 Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the 2017 Bonds and could affect the market price of the 2017 Bonds to an extent that cannot be determined at this time. *The following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to investing in the 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of such risks.*

2017 Bonds Are Limited Obligations of the Authority

The 2017 Bonds constitute special, limited obligations of the Authority. The principal of and interest on the 2017 Bonds is payable solely from and secured by an irrevocable pledge of the Net Revenues derived by the Authority from the operation of the Water System, together with certain interest income and other amounts as provided in the Bond Resolution. The 2017 Bonds constitute an irrevocable pledge of the Net Revenues and the Bond Fund established by the Bond Resolution, on a parity with the lien thereon of the Prior Bonds. See "SECURITY FOR THE BONDS." **The 2017 Bonds do not constitute a general obligation of the Authority. Owners of the 2017 Bonds may not look to any funds or accounts of the Authority other than those specifically pledged to the payment of the 2017 Bonds. The 2017 Bonds do not constitute an obligation of Reno, Sparks, the County or the State.** ***The Authority has no taxing power*****.**

Payment on the 2017 Bonds is dependent upon the generation of sufficient Net Revenues of the Water System. If the Water System becomes inoperable due to damage, destruction, environmental restriction or for any other reason, if the Authority should lack raw water or lack treatable water due to contamination, if the Authority should lack adequate supply to serve existing customers due to drought or for any other reason, if the Authority is unable to increase rates and charges for any reason, or if the Authority incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the Authority may be unable to generate adequate revenues from the Water System to pay debt service on the 2017 Bonds.

No Mortgage or Lien Other than Lien on Net Revenues Secures the 2017 Bonds

The 2017 Bonds are payable solely from Net Revenues. The 2017 Bonds are not secured by a mortgage, lien, or security interest on or in any of the funds, buildings or other assets of the Authority other than the funds established by the Bond Resolution (except the Rebate Account, the Operation and Maintenance Account and the Operation and Maintenance Reserve Account established in the Bond Resolution, which will not secure payment of the 2017 Bonds). See "SECURITY FOR THE BONDS--Limited Obligations." The owners of the 2017 Bonds may not look to any funds, buildings or other assets of the Authority, other than the Net Revenues, for payment of debt service on the 2017 Bonds.

The ability of the Authority to meet its payment obligations under the Bond Resolution will depend upon the ability of the Authority to generate sufficient Gross Revenues to meet such obligations, the Authority's operating expenses, debt service on other debt, extraordinary costs or expenses that may occur and other costs and expenses. Accordingly, investors should be aware that future revenues and expenses of the Authority will be subject to conditions that may differ materially from current conditions to an extent that cannot be determined at this time.

Environmental Risks

There are several types of environmental risks associated with operating the Water System. These risks include the use of hazardous materials in the water treatment process and the necessity to properly dispose of such hazardous materials. Other environmental issues that may impact the Water System include, but are not limited to, the possible occurrence of upstream events that could cause contamination to the Authority's surface water source. The impact that such potential environmental issues may have on the Water System cannot be determined.

Flooding, Drought and Seismic Activity

General. The Water System is susceptible to certain risks posed by flooding, drought and seismic activity. Certain of these risks may be mitigated by the purchase of insurance; however, it is not possible to predict at this time whether the Authority's insurance coverage would be sufficient to pay all of the costs associated with a flood or a seismic event. See "THE WATER SYSTEM--Insurance." To the extent insurance coverage is not sufficient to replace facilities damaged by flooding or seismic activity (or to the extent damage caused by such events is excluded from policy coverage), the Authority may be required to expend significant amounts to replace the damaged facilities and operations may be negatively impacted to an extent that cannot be determined at this time. See "Insurance" in this section.

Flooding. Periodic flooding has occurred within the Authority's Service Area, most recently in early January 2017, and likely will occur in the future. To date, damage to the Water System has been minimal and no interruption to service was experienced; however, the impact to the Water System of any future flooding cannot be determined.

Seismic Activity. Periodic seismic activity has occurred within the Authority's Service Area, most recently in 2008, and may occur in the future. As a result of the seismic activity that occurred in 2008, significant damage was done to certain conveyance facilities that supplied water to the Chalk Bluff Water Treatment Plant. The impact to the Water System of any future seismic activity cannot be determined.

Drought. Drought conditions have existed within the Authority's Service Area in the recent past. As discussed in "THE WATER SYSTEM--The Water System--*Water Rights and Drought Plan*," the Authority has adopted a Water Resource Plan that provides a water budget and resource plan for the Authority and also sets out conservation goals and provides for a drought plan based upon an extended drought cycle of nine years. Any lack of availability of expected water resources in the course of any future drought may negatively impact the Authority's operations and its ability to generate Net Revenues.

Regulatory Risks

The Water System is subject to numerous federal and State statutory and regulatory requirements. Those laws and regulations are subject to change at any time. The Authority works with all regulatory agencies and personnel to stay abreast of future regulatory requirements as failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the water supply available to the Water System to be unavailable. Any disruption of service could negatively impact Net Revenues.

The most significant law governing public drinking water systems like the Authority's Water System is the federal Safe Drinking Water Act. Primary enforcement authority for this act in Nevada has been delegated by the EPA to the Nevada Division of Environmental Protection. The EPA sets standards for ensuring safe drinking water and administers programs to protect drinking water sources. The Nevada Division of Environmental Protection Bureau of Safe Drinking Water and the Washoe County District Health Department work together with the Authority to assure that all drinking water standards have been and will continue to be met.

The Authority is in full compliance with all current regulatory requirements and currently is not aware of any forthcoming regulatory requirements that would significantly impact compliance costs.

Insurance

The Authority has obtained environmental and property insurance coverage as described in "THE WATER SYSTEM--Insurance." The Water System facilities are insured against earthquake (except for California assets) and flood damage (with the exception of the Glendale Water Treatment Facility, as discussed in "THE WATER SYSTEM--Insurance"); however, it is not possible to determine whether the level of such coverage will be sufficient to cover actual losses sustained as a result of earthquakes or floods. Investors should be aware that it is possible that any property insurance obtained by the Authority in the future may not cover any damage to the dams and diversions caused by earthquakes or floods. If the Water System sustains damage rendering it unable to operate for any significant length of time, Gross Revenues will be adversely impacted. In addition, the Authority will be required to pay the capital costs necessary to repair the damage from funds other than insurance proceeds (such as existing cash reserves).

Additional Parity Securities

Upon issuance, the 2017 Bonds will have a lien on the Net Revenues on a parity with the lien thereon of the Prior Bonds. In addition, under the Bond Resolution, the Authority is permitted to incur other debt payable on a parity with the lien of the 2017 Bonds. See "SECURITY FOR THE BONDS--Additional Parity Securities." Debt service on the Bonds and all Additional Parity Securities of the Authority will be payable from Net Revenues on a pro-rata basis. Accordingly, to the extent that future obligations are issued on a parity with the lien of the 2017 Bonds, the security for the 2017 Bonds may be diluted. See "SECURITY FOR THE BONDS--Additional Parity Securities."

Changes in Law

General. Various State laws, constitutional provisions and federal laws and regulations apply to the operation of the Water System and the obligations created by the issuance of the 2017 Bonds and various agreements described herein. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, regulations and other provisions which would have a material effect, directly or indirectly, on the affairs of the Authority. Except as described in the following paragraph, at this time it is not possible to predict any impact on the Authority's operations, staffing, structure, finances or responsibilities, from future legislative action.

Potential Fluoride Bill. A bill has been introduced in the 2017 Nevada legislative session that would require the Authority to fluoridate its water. If the bill passes, the Authority would be required to finance additional capital facilities to comply with its terms at a currently estimated cost of up to $67,000,000. The bill would also increase the Authority's annual operation and maintenance expenses in a currently estimated amount of up to $3,000,000 per year. Such debt service and additional expenses would be paid for through a rate increase (presently estimated to be up to 9.00%) and/or a special surcharge on customer's bills. The Board has voted unanimously to not support the bill but the final determination as to whether the bill will be adopted rests exclusively with the Nevada legislature.

Limitations on Remedies Available to Owners of 2017 Bonds

No Acceleration. There is no provision for acceleration of the principal of the 2017 Bonds in the event of a default in the payment of principal of or interest on the 2017 Bonds. Consequently, remedies available to the owners of the 2017 Bonds may have to be enforced from year to year.

Bankruptcy and Police Power. The enforceability of the rights and remedies of the owners of the 2017 Bonds and the obligations incurred by the Authority in issuing the 2017 Bonds are subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of such powers by the federal, State or local governments, if initiated, could subject the owners of the 2017 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) the sections entitled "CERTAIN RISK FACTORS," "THE AUTHORITY--Debt Authorization, Outstanding Obligations and Other Obligations," "THE WATER SYSTEM--The Water System," "THE WATER SYSTEM--Capital Improvement Plan," "WATER SYSTEM FINANCIAL INFORMATION--Budget Summary and Comparison," and "LEGAL MATTERS--Litigation" contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and those differences could materially adversely impact the availability of Net Revenues to pay debt service on the 2017 Bonds.

Secondary Market

There is no guarantee that a secondary market for the 2017 Bonds will be maintained by the Underwriters or others. Thus, prospective investors should be prepared to hold their 2017 Bonds to maturity.

[The remainder of this page intentionally left blank.]

THE AUTHORITY

General

The Authority is a joint powers authority formed in November 2000, pursuant to the Cooperative Agreement among Reno, Sparks and the County (collectively, the "Members"). Pursuant to the Authority Act, the Authority is a political subdivision of the State separate from its Members. The Authority was formed to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows communities. On December 31, 2014, the Water Utility and STMGID were merged into the Authority. The Authority's Service Area encompasses a total of 154 square miles, including the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority has no authority to provide water service outside of its Service Area; however, the Authority may provide service in the future to developments that are annexed into its Service Area.

Powers of the Authority

The Authority was formed to provide a separate legal entity to jointly exercise certain delegated powers, privileges and authority of each Member. The Cooperative Agreement gives the Authority broad powers with respect to the Water System, including the power to: (1) acquire, use, and dispose of water rights and water supplies; (2) develop and implement projects with respect to the acquisition, development, treatment, storage and transportation of water; (3) acquire interests in, finance, operate, maintain, replace, and construct additions and improvements to the Water System; (4) provide retail water service to customers within its service area; (5) contract with wholesale water users; (6) establish a water budget, a water resource plan, and a water conservation plan; (7) prepare, update, and implement a capital improvement plan; and (8) establish rates, tolls and charges in general accordance with the procedures and authorities established in Chapter 318 of NRS, or as otherwise adopted by the Board. The Authority also has the power to acquire, possess, lease, encumber and dispose of personal and real property; to have and exercise eminent domain powers; to contract; to issue revenue bonds and other bonds, notes, an obligations and to incur liabilities for the purposes stated in the Authority Act; to execute leases, installment sale and purchase contracts and other transactions; to obtain license, permits, grants, loans or aid from any agency; and to perform all other acts necessary or convenient to perform its functions or exercise its powers.

Board of Directors

Pursuant to the Cooperative Agreement, the Board is to be comprised of seven members: three Directors appointed by Reno, two directors appointed by Sparks, and two directors appointed by the County. Each governing body also may appoint an alternate Director. Each Director holds office until the governing body of the Member selects a successor and notifies the Authority. Any Director who is not an elected official is appointed for a two-year term. Directors who are elected officials may not serve beyond their respective terms of office. The Directors do not receive compensation from the Authority for their service as Directors but may be reimbursed for reasonable expenses incurred in the conduct of the Authority's business. The Board appoints a chairman and a vice chairman from its membership. Board officers hold office for one-year periods corresponding to the Authority's Fiscal Year (July 1 through June 30).

The Board generally holds its regular meetings on the third Wednesday of each month, with certain exceptions required by law or established by the Board, and may hold special meetings as needed. A quorum of the Board exists if the Directors present constitute a majority of all Directors then in office.

The current members of the Board, their affiliations, and their term expirations are set forth below:

Name	Affiliation	Term Expiration
Geno Martini, Chairman	City of Sparks	November 2018
Vaughn Hartung, Vice Chairman	Washoe County	December 2020
Jenny Brekhus	City of Reno	November 2020
Naomi Duerr	City of Reno	November 2018
Jeanne Herman	Washoe County	December 2018
Neoma Jardon	City of Reno	November 2020
Ron Smith	City of Sparks	November 2020

Administration

General Manager. The General Manager serves as the Chief Administrative Officer of the Authority and generally is responsible for operation of the Water System. The General Manager reports to the Board and is responsible for planning, organizing and directing all Authority activities.

Mark W. Foree - General Manager. Mr. Foree was appointed the General Manager of the Authority in May 2009. Prior to that time, he served as the Director of Water Operations. Mr. Foree has over 36 years of experience in the water industry including extensive experience in planning, engineering, operations and maintenance of complex water treatment and distribution systems. Mr. Foree is a registered professional Civil Engineer in Nevada and California and holds a bachelor's degree in civil engineering. In addition, Mr. Foree holds the highest level of operator certifications (Grade IV) for both water distribution and water treatment in the State. He also is a Nevada registered Water Right Surveyor.

Chief Financial Officer. The Chief Financial Officer oversees all financial activities for the Authority, including short and long range financial planning, development of the long range funding plan, financial reporting and investment programs.

Michele Sullivan – Chief Financial Officer/Treasurer. Ms. Sullivan is a Certified Public Accountant who joined the Authority in December, 2015. Ms. Sullivan graduated from California State University, Sacramento with a Bachelor of Science in Accounting and joined Ernst & Young in 1986. Ms. Sullivan audited mainly clients in the banking industry and manufacturing. After receiving her Certified Public Accountant license in 1989, Ms. Sullivan relocated to Reno, Nevada and was chief accountant at FMC Gold, a gold mining subsidiary of FMC Corporation. After several years in mining Ms. Sullivan started her own consulting firm, and worked in industries including construction, insurance, manufacturing and advertising, developing budgets and financial statements and implementing accounting procedures. In 2010, Ms. Sullivan joined IGT where she most currently was the senior manager of the corporate accounting group, and was integral in the consolidation of all financial data during IGT's recent acquisition.

Employees; Benefits and Pension Plan

Employees. As of February 1, 2017, the Authority employed 203 full time equivalent positions ("FTE"), including ten management employees and the General Manager. There are 93 Management, Professional, Administrative and Technical ("MPAT") personnel, including the management personnel and 110 employees covered by a collective bargaining agreement. The current collective bargaining expires June 30, 2017. The Authority considers its relations with the union to be good. The Authority also will employ up to eighteen part time seasonal workers and student interns (9 FTE) at any time during a fiscal year and are not considered part of the permanent FTE count.

As of February 1, 2017, the Authority's permanent employees are distributed as follows:

Function	Number of FTEs
Administration/IT	27
Supply/Treatment Operations	35
Distribution Maintenance	68
Hydroelectric	7
Customer Service/Conservation/Inspection	32
Water/Planning/Land & Water Resources	17
Engineering/Construction	17
Total authorized employees	203

Benefits. MPAT employees who work at least 20 hours per week are entitled to receive benefits, including: group health, dental and vision insurance (the Authority pays for employee coverage and a portion of dependent coverage); group life insurance and accidental death and dismemberment insurance; flexible health care and dependent care spending accounts; paid time off/vacation (starting with 16 days per year plus extra days for years of service); short-term disability insurance; a long-term disability income plan; paid holidays and other miscellaneous benefits. The Authority also provides 457 and 401(a) deferred compensation plans and matches employee contributions up to 6% of an employee's annual salary. Post-retirement medical coverage also is provided for eligible employees. See Note 10 in the audited financial statements attached hereto as Appendix A for more information regarding other post-employment benefits ("OPEB").

Employees covered by the collective bargaining agreement generally also receive the benefits described above, except that vacation time begins at 10 days per year and increases with years served pursuant to the schedule set forth in the agreement and sick leave accumulates at a rate of one day for each month worked with no limit.

Pension Matters. The State Public Employees' Retirement System ("PERS") covers substantially all public employees of the State, its agencies and its political subdivisions, including the County. PERS, established by the Legislature effective July 1, 1948, is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. Retirement Board members serve for a term of four years. Except for certain

Authority specific information set forth below, the information in this section has been obtained from publicly-available documents provided by PERS. The Authority has not independently verified the information obtained from the publicly available documents provided by PERS and is not responsible for its accuracy.

All public employees who meet certain eligibility requirements participate in PERS, which is a cost sharing multiple-employer defined benefit plan. Benefits, as required by statute, are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation. Benefit payments to which participants may be entitled under PERS include pension benefits, disability benefits, and death benefits. PERS has several tiers based on legislative changes effective with membership dates. The following table illustrates the PERS service credit multiplier.

PERS Benefit Multiplier

	Service Credit Multiplier				
Membership Date	Before 07/01/01	After 07/01/01	After 01/01/10	After 07/01/15	Highest Contiguous Average Over
Before July 1, 2001	2.50%	2.67%	2.67%	2.67%	36 months
After July 1, 2001, before January 1, 2010	--	2.67%	2.67%	2.67%	36 months
After January 1, 2010, before July 1, 2015	--	--	2.50%	2.50%	36 months
After July 1, 2015	--	--	--	2.25%	36 months

Similarly, legislative changes have created several tiers of retirement eligibility thresholds. The following table illustrates the PERS retirement eligibility thresholds for regular members.

Nevada PERS Retirement Eligibility

Membership Date	Regular	
	Age	Years of Service
Before January 1, 2010	65	5
	60	10
	Any	30
After January 1, 2010, before July 1, 2015	65	5
	62	10
	Any	30
After July 1, 2015	65	5
	62	10
	55	30
	Any	33 1/3

Nevada law requires PERS to conduct a biennial actuarial valuation showing unfunded actuarial accrued liability ("UAAL") and the contribution rates required to fund PERS on an actuarial reserve basis. The actual employer and employee contribution rates are established in cycle with the State's biennium budget on the first full pay period of the even numbered fiscal years. By PERS policy, the system actually performs an annual actuary study.

The most recent independent actuarial valuation report of PERS was completed as of June 30, 2016. The following table reflects some of the key valuation results from the last three PERS' actuary studies:

PERS Actuarial Report

Key Valuation Results	June 30, 2016	June 30, 2015	June 30, 2014
UAAL	$12.56 billion	$12.35 billion	$12.53 billion
Market Value Funding Ratio	72.2%	75.1%	76.3%
Actuarial Value Funding Ratio	74.1%	73.2%	71.5%
Assets Market Value	$35.00 billion	$34.61 billion	$33.58 billion
Assets Actuarial Value	$35.90 billion	$33.72 billion	$31.47 billion

For the purpose of calculating the actuarially determined contribution rate, the UAAL is amortized as a level percent of payroll over a year-by-year closed amortization period where each amortization period is set at 20 years. The amortization period prior to fiscal year 2012 was 30 years. Effective starting fiscal year 2012, the PERS Board adopted a shorter amortization period to be used to amortize new UAAL resulting from actuarial gains or losses and changes in actuarial assumptions. Any new UAAL is amortized over a period equal to the truncated average remaining amortization period of all prior UAAL layers, until the average remaining amortization period is less than 20 years; after that time, 20-year amortization periods will be used. The PERS Board also adopted a five-year asset smoothing policy for net deferred gains/losses.

For the year ended June 30, 2014, PERS adopted Governmental Accounting Standards Board Statement ("GASB") No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25 ("GASB 67"). GASB 67 replaces the requirements of GASB Statement Nos. 25 and 50 as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The objective of GASB 67 is to improve financial reporting by state and local governmental pension plans. It requires enhancement to footnote disclosure and required supplementary information for pension plans.

Prior to these new standards, the accounting and reporting requirements of the pension related liabilities followed a long-term funding policy perspective. The new standards separate the accounting and reporting requirements from the funding decisions and require the unfunded portion of the pension liability to be apportioned among the participating employers. These standards apply for financial reporting purposes only and do not apply to contribution amounts for pension funding purposes.

With the implementation of GASB 67, PERS began reporting its total pension liability, fiduciary net position, and net pension liability in its Comprehensive Annual Financial Reports, beginning with the Comprehensive Annual Financial Report for its fiscal year ending June 30, 2014. The total pension liability for financial reporting was determined on the same basis as the actuarial accrued liability measure for funding. The fiduciary net position is equal to the market value of assets.

Effective with its fiscal year ending June 30, 2015, the Authority was required to apply GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* ("GASB 68") to its audited financial statements. Among other requirements, the Authority was required to report its proportionate share of the total PERS' net pension liability in its financial statements.

The following presents the net pension liability of PERS as of its fiscal year ending June 30, 2015, and the Authority's proportionate share of such net pension liability of as of its fiscal year ending June 30, 2016, calculated using the discount rate of 8.00%, as well as what the PERS' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (7.00%) or one percentage point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
PERS Net Pension Liability	$17,461,886,995	$11,459,436,845	$6,467,980,371
Authority Share of PERS Net Pension Liability	$41,058,088	$26,869,406	$15,208145

The following represents the net pension liability of PERS as of June 30, 2016. The Authority's proportionate share has not yet been determined.

	1% Decrease in Discount Rate (7%)	Discount Rate (8%)	1% Increase in Discount Rate (9%)
PERS Net Pension Liability	$19,725,527,478	$13,457,132,664	$8,241,905,366

Contribution rates to PERS are established by State statute. The statutes currently require an adjustment in the statutory contribution rates on July 1 of each odd-numbered fiscal year. However, contribution rates are only adjusted if the difference between the existing and actuarially determined rates exceeds one-half of 1%. Plan members have the option of being funded under two alternative methods. Under the employer pay contribution plan, the Authority is required to contribute all amounts due under the plan. Under the employee-employer contribution plan, the Authority and the employee share equally in contribution of amounts due under the plan. A history of contribution rates for each funding method, as a percentage of payroll, is shown below.

Contribution Rates

	Fiscal Years 2012 and 2013	Fiscal Years 2014 and 2015	Fiscal Years 2016 and 2017
Regular members Employer-pay plan	23.75%	25.75%	28.00%
Regular members Employee/Employer-plan	12.25	13.25	14.50

A history of the Authority's contribution to PERS in each of its last five fiscal years is shown below. For each fiscal year shown, the amount contributed equaled the Authority's required contribution.

PERS Contributions

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Contribution	$2,726,224	$2,898,332	$3,199,518	$3,629,441	$4,534,811

See Note 10 in the audited financial statements attached hereto as Appendix A for additional information on PERS. In addition, copies of PERS' most recent annual financial report, including audited financial statements and required supplemental information, are available from the Public Employees Retirement System of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599, telephone: (775) 687-4200.

Other Post-Employment Benefits. The Authority has two Other Post–Employment Benefit plans. The first plan was established for the benefit of transferred employees from Sierra Pacific Power Company and all new hires. The second plan was formed to provide post-employment benefits for benefitted employees who transferred from the County as a result of the merger. The first plan is referred to as the § 501-c-9 Plan and the second plan is referred to as the § 115 Plan. Both Plans reference the Internal Revenue Code sections that the plans were formed under. Detailed descriptions of each plan, including its funding status and funding policy as of June 30, 2016, are set forth in Note 10 in the audited financial statements attached hereto.

The most recent actuarial valuation of the Authority's § 501-c-9 Plan is dated as of July 1, 2016. Such valuation showed actuarial accrued liability of $10,407,569, actuarial value of plan assets of $8,948, 929, and a funded ratio of $86.0%.

The most recent actuarial valuation of the Authority's § 115 Plan is dated as of July 1, 2016. Such valuation showed actuarial accrued liability of $1,450,000, actuarial value of plan assets of $700,000, and a funded ratio of $48.3%.

Budget Process

The Board is required to adopt an annual budget for the Authority in accordance with State law. The General Manager's current practice is to submit to the Board the tentative budget for the next fiscal year commencing on July 1; the tentative budget is filed with the State Department of Taxation by April 15 of each year. The proposed operating budget contains the proposed expenditures and the means for funding them. The Authority is required to conduct a public hearing on the budget in May. The Authority is required to adopt the final budget on or before June 1. A five-year capital plan also must be adopted by June 1 of each year. The final budget, as approved by the Authority, is on file for public inspection at the Authority offices and the State Department of Taxation.

The Authority may not expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money, in excess of the amounts appropriated for that function (other than bond repayments, short-term financing repayments, construction contracts for which funds are to be provided by a bond issue or other borrowing and any other long-term contracts as to which expenditures are expressly authorized by law).

See “WATER SYSTEM FINANCIAL INFORMATION--Budget Summary and Comparison” for a representation of recent budgets.

Financial Statements

General. The Authority is required to provide for an annual audit of all funds and accounts. The audit is required to be conducted in accordance with generally accepted auditing standards. The audit is required to be completed no later than five months after the close of the fiscal year for which the audit is conducted. The Authority must act upon any recommendations in the audit report within six months after receipt of the report, unless more prompt action is required. The audited financial statements must be approved by the Board of the Authority within six months of the end of the audited fiscal year.

The audited financial statements for the fiscal years ended June 30, 2016 and 2015, which are attached hereto as Appendix A, represent the most recent audited financial statements of the Authority.

Basis of Accounting. A fund is an accounting entity with a self-balancing set of accounts established to record financial position and results of operations of the governmental entity. The Authority’s activities are accounted for as an enterprise fund (proprietary fund type). Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The Authority’s financial statements are reported using 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. See Note 1 to the audited financial statements attached hereto as Appendix A for a further summary of the Authority’s significant accounting policies.

Awards. The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report (“CAFR”) for the fiscal year ended June 30, 2015. This marked the 13th year for which the Authority applied for and received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The Authority has submitted its fiscal year 2016 CAFR for award consideration.

Cooperative Agreement

The Authority is required to take all action required by various water conservation agreements to encourage and implement programs for the conservation of water within each Member’s geographic area. The Authority has the power to periodically assess its Members for budgets and for the satisfaction of any liabilities imposed against the Authority pursuant to the Cooperative Agreement. Each Member agrees to pay its assessments when due.

The Cooperative Agreement will remain in full force and effect unless terminated pursuant to its terms. The Cooperative Agreement may be rescinded and the Authority terminated pursuant to a written agreement of termination executed by the governing body of each Member. Upon termination, the obligations of the Authority must be paid; any water right or facility contributed by a Member must be returned to that Member (unless the Member agrees to a different distribution); and all other Authority assets must be distributed pursuant to the terms of the termination agreement. In addition, any Member may withdraw from the Authority on the terms and conditions specified in an agreement of withdrawal executed by all Members. Notwithstanding the foregoing, the Authority may not be terminated and no Member may withdraw during the term of any indebtedness or other obligation incurred by Authority (or for which it is otherwise responsible) if the terms of such obligation preclude termination.

The Cooperative Agreement may be amended by action taken by the governing body of each Member and upon any required approval given (or deemed to be given) by the State Attorney General.

Debt Authorization, Outstanding Obligations and Other Obligations

General. Pursuant to the Cooperative Agreement, the Authority has the power to issue revenue bonds, notes or other obligations for the purposes specified in the Authority Act. The Authority also may incur other liabilities and enter into long-term leases or installment sale or purchase agreements in accordance with applicable law.

Outstanding Obligations. The Authority's outstanding obligations include the Prior Bonds and the 2017 Bonds, which will be outstanding in the aggregate principal amount of $300,845,000* after the issuance of the 2017 Bonds and the completion of the Refunding Project. The Prior Bonds and the 2017 Bonds are comprised of the following:

	Issue Date	Final Maturity Date	Original Amount	Outstanding
2015A Bonds	May 14, 2015	July 1, 2036	$ 28,750,000	$ 27,920,000
2016 Bonds	April 12, 2016	July 1, 2037	124,790,000	124,790,000
2017 Bonds *(this issue)*	April 11, 2017	July 1, 2030	147,415,000	147,415,000
Total:				$300,125,000

In addition, the Authority currently has several loans from the State outstanding. Each of these loans has a lien on the Net Revenues that is subordinate to the lien thereon of the Bonds (including the 2017 Bonds). As of February 1, 2017, these include the loans (collectively, the "Loans") described below:

Fiscal Year Incurred	Original Amount	Current Balance	Interest Rate	Approximate Annual Loan Payment	Final Payment Date
2005	$ 4,669,565	$2,358,926	3.21%	$ 336,692	01/01/25
2010	2,401,120	1,545,859	0.00	123,669	07/01/29
2010	4,381,614	3,555,353	3.25	337,503	01/01/30
2015	9,109,437	7,176,120	2.81	1,007,875	01/01/25
2015	15,000,000†	--	2.62	--	07/01/35

* Subject to change.

† Funds will be used to construct the North Valleys Integration Project. See Note 11 in the audited financial statements attached hereto as Appendix A. Approximately $8,898,932 has been drawn on the loan. Interest only on the loan is payable semiannually on January 1 and July 1 of each year, and principal payments will begin on the earlier of the date the North Valleys Integration Project is complete, the amount of $15,000,000 has been drawn, or three years from the date the loan was incurred.

Finally, in 2006, the Authority also authorized its Water Revenue Commercial Paper Notes, Series 2006A and Series 2006B (the "Notes"). The Notes were originally authorized in a principal amount not to exceed $160,000,000 but due to principal payments heretofore made may now be outstanding at any one time in a principal amount not to exceed $148,600,000. Approximately $83,400,000 in Notes are currently outstanding. The principal of and interest on the Notes is payable from draws made on two irrevocable direct pay letters of credit issued by The Bank of Tokyo Mitsubishi UFJ, Ltd., acting through its New York Branch (the "Letters of Credit"). The Letters of Credit expire on May 29, 2018. The Authority's reimbursement obligations pursuant to the Letters of Credit have a third lien on the Net Revenues, subordinate to the lien thereon of the Bonds (including the 2017 Bonds) and also subordinate to the lien thereon of the Loans.

Agreements. The Board also has entered into a Customer Care Agreement dated as of November 1, 2014 (the "Customer Care Agreement"), with Vertex Alliance Data Systems ("Vertex"). Pursuant to the Customer Care Agreement, the Authority has outsourced its billing, bill printing and mailing, remittance processing, billing data information storage and call center functions to Vertex. The Customer Care Contract expires on November 1, 2019, with an option for three successive two year terms.

The Authority has also entered into a Settlement and Release Agreement with NV Energy which is discussed in detail in the following section.

Other Commitments or Material Receivables.

Farad Facilities. As of June 30, 2013, the Authority was committed under an Asset Purchase Agreement with Sierra Pacific Power Company, dated as of January 15, 2001 (the "Asset Purchase Agreement"), to expend $8,000,000 for the purchase of four hydroelectric plants. NV Energy and the Authority agreed to prorate this sum equally among the four hydroelectric plants so that the plants could be purchased individually. As of June 30, 2014, the Authority completed the purchase of three of the four hydroelectric plants for a total purchase price of $6,000,000 and was released from its obligation to purchase the remaining hydroelectric plant (known as the "Farad Facilities") pursuant to a settlement agreement reached with NV Energy (the "Settlement Agreement"). The Settlement Agreement assigned to the Authority all of NV Energy's rights to future insurance payments received as a result of a certain litigation involving the Farad Facilities, less any applicable deductibles. To date, the Authority has received $21,410,911 in insurance proceeds related to the Farad Facilities.

In the event the Farad Facilities are ever reconstructed by the Authority, the Authority has committed $1,400,000 to mitigate the effects of such operations on the Truckee River. See Note 11 in the financial statements attached hereto as Appendix A.

River Fund Agreement. The Authority also has entered into an agreement with the Community Foundation of Western Nevada, a Nevada non-profit corporation (the "River Fund Agreement"), for the establishment of The Truckee River Fund (the "River Fund"). The River Fund is to be used exclusively to fund projects that protect and enhance water quality or water resources of the Truckee River or its watershed. The River Fund is administered by an advisory committee comprised of nine members; each Member selects three members. For fiscal year 2016, and again for budgeted fiscal year 2017, the Authority committed approximately $850,000 per fiscal year as a contribution to the River Fund. The River Fund Agreement does not require the Authority to provide any additional funds to the River Fund; continued contributions to the River Fund are solely within the discretion of the Board. See Note 11 in the financial statements attached hereto as Appendix A.

Boca Dam and Reservoir. The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the "Boca Dam"), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the "Conservation District"). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the "BOR"), the Conservation District is currently working on conceptual designs for an earthquake hardening project at the base of Boca Dam. The costs for the earthquake hardening project are currently estimated at $31,000,000. Under federal law, the beneficiary of the authorized purposes of the structure must pay 15% of the cost. The Conservation District is in negotiations with the BOR as to how that 15% is allocated between irrigation and municipal uses. The cost allocation issues will likely be resolved in 2017; however, at this time it is not known what portion will be allocated to municipal uses. The Authority currently expects its portion of assessments from the Conservation District for Safety of Dams expenditures to range from $600,000 to above $2,800,000 based on current cost estimates. See Note 8 in the financial statements attached hereto as Exhibit A.

Investment Policy

The Authority's investments are governed by its Investment Policy and by the terms of the Bond Resolution (see Appendix B - Summary of Certain Provisions of the Bond Resolution--Investment of Funds). The Investment Policy can be amended by a majority vote of the Board. The Authority's most recent Investment Policy was adopted in February 2009; the provisions of the Investment Policy are described generally below. The Investment Policy's stated goal is to invest funds to obtain suitable rates of return on investments in a safe and prudent manner. The Investment Policy conforms to State statutes governing the investment of funds. The objectives established under the Investment Policy are (1) safety of principal, (2) liquidity, and (3) return on investment. The Investment Policy establishes maximum investment maturities, diversification requirements, collateralization requirements and performance standards for managers and delineates authorized and prohibited investments. Authorized investments include U.S. Treasury instruments, U.S. government agency and Student Loan Marketing Association securities, corporate notes meeting certain rating standards, money market mutual funds meeting certain criteria, certificates of deposit, repurchase agreements, commercial paper meeting certain standards, bankers acceptances, long-term forward sale contracts and guaranteed investment contracts meeting certain rating standards, the State's local government investment pools, collateralized mortgage obligations and medium-term obligations of municipal issuers in the State that meet certain rating standards. Prohibited investments include asset-backed securities.

The Authority has a Forward Sale Agreement (the "FSA") in effect with respect to its Operation and Maintenance Reserve with JPMorgan Chase Bank, National Association ("JPM"). That contract yields 5.5%, extends through July 2034, and is terminable at the Authority's option on or after August 1, 2013. The Authority presently expects to terminate the FSA at or shortly following the closing date for the 2017 Bonds and receive a termination payment from JPM; however, the termination date and termination value of the FSA are still being discussed among the parties and are subject to change. See Note 4 in the financial statements attached hereto as Appendix A.

In 2008, the Board approved an interest rate swap policy to establish guidelines for the execution and management of the Authority's use of interest rate swaps or similar projects and related transactions to meet specified financial and management objectives. To date, the Authority has not entered into any swap transactions.

[The remainder of this page intentionally left blank.]

THE WATER SYSTEM

Service Area

General. The Authority owns and operates a Water System and develops, manages and maintains supplies of water for the benefit of the Truckee Meadows communities. On December 31, 2014, the Water Utility and STMGID were merged into the Authority. The Authority has a total of 154 square miles of service area (the "Service Area"), which includes the cities of Reno and Sparks and other surrounding populated areas of the County (except certain areas in the vicinity of Lake Tahoe and other small areas bordering California). The Authority currently serves approximately 120,500 service connections, which are mainly residential and commercial customers located primarily in the Reno/Sparks metropolitan area. The Authority also serves a few wholesale or resale customers and large contract customers (which are billed pursuant to existing general tariffs). The Authority has no authority to provide water service outside of the Service Area; however, the Authority may provide service in the future to developments that are annexed into the Service Area. In addition, in the Bond Resolution, the Authority has covenanted to not permit any of its Members to engage in the retail delivery of potable water within its respective jurisdiction and within the retail service area of the Authority.

Certain Contracts and Agreements

Wholesale/Resale Contracts. The Authority provides water to resale customers through contracts. Those customers include the Parr-Reno Water Company and the Sun Valley General Improvement District. In fiscal year 2016, wholesale contracts accounted for approximately 1.2% of Water System operating revenues.

Truckee River Operating Agreement

Pursuant to the Truckee-Carson-Pyramid Lake Water Rights Settlement Act, Pub. L. No. 101-618 (Nov. 16, 1990), Title II, 104 Stat. 3289 (the "Settlement Act"), Congress directed the Secretary of the Interior to negotiate an operating agreement with Nevada and California (and other parties) which, among other things, would provide for a more flexible and coordinated operation of Lake Tahoe, Boca Reservoir, Prosser Creek Reservoir, Martis Reservoir and Stampede Reservoir, and if owners of affected storage rights agreed, Donner and Independence Lake, while at the same time satisfying the exercise of water rights in conformance with the Orr Ditch Decree. The Truckee River Operating Agreement ("TROA"), executed September 6, 2008, is that operating agreement.

The major parties to TROA are the Authority, the Pyramid Lake Paiute Tribe, the State of Nevada, the State of California, and the United States of America. TROA provides for modified river and reservoir operations that result in multiple benefits for water users, including benefits related to endangered fish species (spawning fish flows), recreation (minimum water levels in reservoirs), and significant additional drought storage for the Authority. Implementation of TROA also results in the entry into effect of the interstate allocation of water between Nevada and California as provided for in the Settlement Act.

Although TROA was executed on September 6, 2008, there were a number of additional actions which had to take place for it to enter into effect and be implemented. The last of those required actions has now taken place and TROA was implemented on December 1,

2015. The Authority began credit storing water on the same day, which was the first time in history the Authority has been able to store water during a winter month. TROA established a framework that provides greater flexibility for river operations without injuring any party's water rights. TROA significantly increases the Authority's ability to store water in upstream reservoirs for use during droughts. Beginning in 2016, the Authority was able to increase its upstream drought reserves by about 50% and over time, as system demand grows, the Authority currently expects to triple its pre-TROA reserves.

Facilities and Water Supply

General. The Water System generally is comprised of all of the Authority's existing storage, supply, diversion, treatment, conveyance, water transmission, groundwater production and distribution-related facilities and all other facilities that may be constructed or acquired by the Authority. Each component of the existing Water System, including water rights, sources of water supply, storage rights and capacity, hydroelectric generation facilities, water treatment facilities, and water distribution facilities is discussed in more detail below. Components of the Authority's CIP (discussed in "Capital Improvement Plan" below) relating to each component of the Water System also are discussed below.

The Authority has owned, operated, and maintained its Water System since its inception in 2001. As a consequence of the merger of the Water Utility and STMGID into the Authority, 18 additional public water systems are now also owned, operated and maintained by the Authority (and now thus a part of the Water System). The merger of these public water systems into the Authority resulted in 24,800 new service connections.

The Authority's water production totaled approximately 25.77 billion gallons during fiscal year 2016 (7.18 billion gallons were produced from groundwater wells and the remaining 18.58 billion gallons were treated through the Authority's two surface water treatment facilities). The peak-day delivery during fiscal year 2016 was 131.2 million gallons on June 28, 2016. The peak day for the past several years is as follows: August 9, 2011 (FY 2012), 119.9 mgd; July 12, 2012 (FY 2013), 125.6 mgd; July 21, 2013 (FY 2014), 121.4 mgd; and June 30, 2015 (FY 2015), 122.6 mgd. The variability in peak day demand over the years is due to variations in temperatures, rainfall during the irrigation season, and the number of service connections.

Water Quality. The primary water source for the Authority is Lake Tahoe and the Truckee River system. The Authority treats water to a very high standard at several treatment plants, the primary plant being the Chalk Bluff Water Treatment Plant. After receiving the "Directors Award" from the Partnership for Safe Water ("PFSW") in 2014 (only 2 percent of surface water treatment plants in the U.S. have been recognized by the PFSW) for outstanding water quality, the Chalk Bluff Water Treatment Plant (the Authority's largest plant) was recently awarded the "President's Award" from the PFSW, which is the highest award given for outstanding water quality. At the time, the President's Award had only been given to 18 surface water treatment plants nationally.

The Authority has no lead pipe in its system. Furthermore, the Authority has never had a violation of any federal or state water quality standard since its inception in 2001.

Treatment Plants. The Authority now operates eight water treatment facilities (Chalk Bluff, Glendale, Lightning W, Longley Lane, Truckee Canyon, Mill Street, Kietzke and Morrill). The Chalk Bluff Water Treatment Facility ("CBWTF"), located in northwest Reno, was placed into service in 1994 to meet the requirements of the Safe Drinking Water Act. The CBWTF can produce 90 million gallons per day ("MGD") under optimal conditions. The CIP does not envision increases to treatment capacities at the CBWTF for the next five years.

The Glendale Water Treatment Facility ("GWTF"), located in west Sparks, was originally built and placed into service in 1976. This facility was also modernized in the mid-1990s to meet the requirements of the Safe Drinking Water Act and upgrades to modernize the raw water intake structure from the rock rubble diversion to a more modern intake structure increased the GWTF treatment capacity from 25 MGD (million gallons a day) to 34.5 MGD. As a result of effluent pumping improvements and some feeder main improvements, groundwater (6.6 MGD) from three wells containing arsenic are piped to the GWTF and blended with the surface water supply and treated to level below the arsenic standard for a total plant output capacity of 41 MGD.

The Lightning W Water Treatment Facility (LWWTF) is a Uranium treatment facility that treats two wells in the Lightning W system in Washoe Valley to comply with the Safe Drinking Water Act requirements. A plan to upgrade the LWWTF to expand capacity and to replace the treatment media is currently in process and such upgrades are anticipated to be completed in 2017.

The Longley Lane Water Treatment Facility (LLWTF) is a 4 MGD coagulation assisted microfiltration facility that could be expanded to 6 MGD with the addition of more microfilters. It is a relatively new facility with no upgrades currently planned. It produces high quality water from 3 wells that can be sent to the Hidden Valley and Double Diamond systems.

The Truckee Canyon Water Treatment Facility (TCWTF) is a small arsenic treatment facility that treats one well (with plans for a second well and expanded plant capacity in the CIP) that services an industrial area just east of Sparks along Interstate 80.

The Mill Street, Kietzke, and Morrill Water Treatment Facilities all treat groundwater wells for PCE (perchloroethylene) removal.

Treated Water Reservoir and Tank Storage. The Authority currently has slightly more than 171 million gallons of treated water storage capacity system-wide. This storage capacity is divided between the two finished water reservoirs at the Highland and Hunter Creek sites and 93 individual concrete and steel tanks placed across the combined service territory. The two treated water storage reservoirs feed water into the gravity zones and have a combined capacity of 50 million gallons. The individual tanks provide the remaining 121 million gallons of storage.

Groundwater Supply. The Authority now operates 83 production wells in ten different groundwater basins to produce water during periods of peak demand and augment the river supplies during drought conditions. With the Merger, the Authority added 55 production wells in seven different groundwater basins with approximate capacity of 30 MGD. The combined capacity of the Authority's well production is rated at 100 MGD. When combined with the treatment plant capacities (128 MGD), total maximum water production capacity of approximately 228 MGD is sufficient to supply summer peak demands. For that portion of the Service Area able to use Truckee River resources, the well capacity is drawn upon to meet peak summer demands and/or when there is insufficient river flow to provide water in the late fall months during dry years; for some of the smaller systems acquired in the Merger, groundwater supplies all of the annual demands of customers.

The Water Resource Plan currently envisions additional groundwater development projects in the future.

Distribution. The Authority has about 1,900 miles of pressurized transmission and distribution mains. Less than 2% of the Authority's water mains are more than 70 years old and cast iron and riveted steel mains make up less than 6% of the water mains in the Water System. The Authority is closely coordinating with Reno, Sparks, Washoe County and the Regional Transportation Commission on long term planning for multifaceted street repaving and/or sewer rehabilitation plans. These combined rehabilitation activities are a cost effective approach for the citizens of the communities. If older mains are not replaced during city street reconstruction projects, there is a risk that the reconstructed streets will be exposed to unnecessary undermining of roadbeds and destruction of newly placed pavement.

Pump Stations and Pressure Regulators. The Authority currently has more than 109 pump stations of various sizes and more than 320 pressure regulators which are used to manage water pressure over 200 pressure zones. The Authority service territory serves elevations from 4,250 to 6,200 feet in elevation. The Authority water system is considered a complex water system to operate.

The Authority has identified a number of pump stations and pressure regulating stations that will require reconstruction over the next five years. Many of these facilities have been in service for over 50 years. As development moves into higher elevations the Authority will be adding additional pump stations to lift water to these water services. These facilities are ultimately paid for by the developer of a particular subdivision.

Hydroelectric Facilities. The Water System's hydroelectric facilities comprise four hydroelectric generation facilities and related flumes and canals, buildings and other structures. The hydroelectric facilities are run-of-river plants; water is diverted from the Truckee River to the generating facilities and is returned directly to the river. These facilities were included in the Asset Purchase Agreement in part because the water rights associated with the Hydroelectric Facilities are among the oldest rights on the Truckee River, representing an important component of the Authority's water rights. Electric power produced at the plants is sold to NV Energy pursuant to power purchase agreements specific to each of the three operational facilities.

Water Rights, Water Storage, and Drought Plan.

Water Rights. The Authority maintains a portfolio of decreed and acquired surface water rights, primarily from the Truckee River, in order to provide a stable source of water for its customers. The Authority has 149,550 acre-feet of water rights, including 38,800 acre-feet of decreed water rights, 70,900 acre-feet of acquired irrigation water rights, 42,600 acre-feet of groundwater rights (based upon average year pumping rights), 27,000 acre-feet of reservoir storage rights, and over 1,500 acre feet of various South Truckee Meadows creek water rights. The Authority's water rights portfolio is subject to ongoing review and revision. According to the Authority analysis, its decreed, storage and irrigation water rights and groundwater rights are sufficient to generate water supplies for customer demands well into the future.

Water Storage. The Authority currently owns and operates 27,000 acre-feet of reservoir storage comprised of 9,500 acre-feet in Donner Lake (owned and controlled by the Authority) and 17,500 acre-feet in Independence Lake (owned and controlled by the Authority). The Authority does not use all of its privately owned stored water or all of its groundwater to meet demand in average or above-average precipitation years; those water rights are held in reserve for drought years.

With the recent implementation of TROA, the Authority's storage rights have increased. TROA allows the Authority access to additional storage capacity in certain federal reservoirs (Prosser and Stampede) and the federally operated Boca Reservoir and Lake Tahoe. Over time, as system demand grows, TROA allows the Authority to increase upstream drought storage to more than 75,000 acre-feet of total storage. Due to TROA, the Authority currently has approximately 40,000 acre-feet of water stored in upstream reservoirs (the most ever), and due to current hydrologic conditions does not expect to use any of that stored water for supply to customers in 2017 or 2018.

Drought Plan. In March 2016, the Authority adopted its 2016-2035 Water Resource Plan ("2035WRP"). The 2035WRP reassessed the Authority's water resources portfolio, analyzed sustainability of its resources, updated the plan in relation to TROA implementation and the Donner Lake water rights acquisition, revised conservation goals and confirmed the Authority's ability to meet water demands during a drought plan period based upon an extended drought cycle of nine years.

Future Acquisition of Water Rights

The Authority generally purchases water rights when needed or as opportunities arise. The Authority purchases water rights on the open market primarily from former agricultural water right holders and converts these rights to municipal and industrial use and issues will-serve commitments against water rights for prices that include the cost of acquiring the water plus administrative costs for perfecting the chain of title and a certain amount of holding costs based upon the Authority's cost of capital.

Having a sufficient number of water rights is essential to the Authority issuing new will-serve commitments. New development cannot proceed before demonstrating that adequate water resources exist to serve a project. At present, will-serve commitments can only be issued when, and if, water resources are available to service the estimated demand of a particular project and drought supplies can support the expansion of new demand. The needed water resources can either be purchased on the open market by an applicant for new water service and dedicated to a water purveyor or purchased directly from the Authority. Those purchasing will-serve commitments directly from the Authority are required to reimburse the utility for the costs it incurred in acquiring, processing and carrying the necessary water rights. The primary water rights that applicants for new water service dedicate to the Authority are main stem Truckee River water rights. The Authority has been successful in accumulating a sufficient number of water rights (over 6,400 acre feet) that are available for will-serve commitments, as well as bringing the market price down from the highs of over $30,000 per acre foot in 2005-2007 to approximately $7,500 per acre foot at year-end 2016. The 2035WRP demonstrates that over 50,000 acre-feet of Truckee River main stem rights are potentially available for future dedication to the Authority to support future will-serve commitments. This amount, coupled with the Authority's existing inventory of available water rights, is more than enough to meet the Authority's future water rights requirements from 2016 through the year 2035, estimated at about 20,000 acre feet.

Capital Improvement Plan

General. The Authority periodically prepares and revises a Five Year Capital Improvement Plan (the "CIP"). The CIP describes all of the construction and major life-extending maintenance of existing facilities and infrastructure. The CIP constitutes an essential component in the Authority's system of planning, monitoring and managing the activities of purveying water and generating hydroelectric power. Overall direction is established by the Authority's 2010-2030 Facility Plan (the "Facility Plan") and the 2035WRP. The CIP incorporates essential elements of the Facility Plan. Actual implementation of the Authority's capital improvements is accomplished through the budget process in each fiscal year. The Authority's capital spending priorities are dynamic, especially with respect to projects needed to serve growth.

The Authority's most recently adopted CIP covered its fiscal years ending 2017-2021. The Authority monitors development activity to ensure that projects are built timely to meet demands for new or expanded water system capacity but also to avoid building too much water system capacity. The Authority may change the priority of its projects based on current conditions. The Authority will continue to monitor its capital needs and may adjust the CIP as needed. The table below provides estimated expenditures associated with the Authority's CIP for the current and following four fiscal years.

Capital Improvement Plan
(For Fiscal Years Ending June 30, 2017 through June 30, 2021)
(Amounts in Thousands of Dollars)*

Summary of Capital Expenditure by Function	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Five Year CIP Total
Raw water supply improvements	$ 800	$ 475	$ 500	$ 400	$ 1,300	$ 3,475
Ground water supply improvements	5,585	1,585	1,515	2,410	2,435	13,530
Treatment plant improvements	7,080	9,905	2,467	1,608	1,510	22,570
Distribution system improvements	22,615	14,490	11,000	17,400	9,950	75,455
Potable water storage improvements	1,050	6,360	3,570	800	1,200	12,980
Hydroelectric improvements	2,075	845	1,105	1,150	1,150	6,325
Customer service outlays	1,800	1,860	1,800	1,935	1,550	8,945
Administrative outlays	2,030	1,638	1,385	1,399	1,467	7,919
Subtotal – Construction Spending and Outlays	43,035	37,158	23,342	27,102	20,562	151,199
Water meter retrofit/ Water rights purchases	450	450	450	450	450	2,250
Total projected capital spending	$43,485	$37,608	$23,792	$27,552	$21,012	$153,449

Summary of Funding by Source	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Five Year CIP Total
Capital improvements funded by customer rates	$32,423	$25,668	$19,570	$21,122	$17,207	$115,989
Capital improvements funded by development	6,575	5,645	3,068	3,295	2,420	21,003
Capital improvements funded by grants	150	100	100	--	--	350
Capital improvements funded with former STMGID reserves	3,887	5,745	605	2,685	935	13,857
Water meter retrofit/water meter purchases	450	450	450	450	450	2,250
Total Projected Capital Spending	$43,485	$37,608	$23,792	$27,552	$21,012	$153,449

The CIP relies on various funding sources, including revenues from water sales, bond proceeds, revolving fund loans from the State, water meter retrofit fees and unrestricted cash reserves. In addition, the Authority has in place a tax-exempt commercial paper program; that program was established primarily to fund the acquisition of water rights but also can be used to fund other capital projects. The Authority also uses funds provided by developers (primarily through system development charges) to fund new capacity construction. The Authority currently anticipates funding the projects in its CIP on a pay-as-it-goes basis. However, future changes in law, including, without limitation, the passage of any bill that requires the Authority to fluoridate water, may require the Authority to finance certain additional capital expenditures. See "CERTAIN RISK FACTORS--Changes in Law--Potential Fluoride Bill."

* Totals may not add due to rounding.

Insurance

To protect against risk of loss, the Authority has in force various insurance policies. These policies are renewed annually with high quality insurance carriers and include Property, General Liability, Auto Liability, Public Officials Liability, Employment Practices Liability, as well as Workers' Compensation and Employer's Liability.

The Authority's major treatment plants, two treated water reservoirs and operations center are all covered under a property insurance policy provided by American Home Assurance (AIG) that provides for a blanket limit of $345 million for all risk insurance coverage, subject to standard exclusions. Coverage provides for $50 million in earthquake coverage with exclusion of assets in California, $10 million in flood insurance with the Glendale Treatment Facility specifically excluded. The earthquake deductible is 2% per unit of insurance with a minimum of $100,000 for any one occurrence. The flood deductible is $100,000 per occurrence. The general deductible for all other perils is $25,000. The Authority also has a loss of earnings provision written in a form that provides for no sublimit and loss of earnings are within the blanket limit of $345 million under the property insurance policy.

The Authority has policies for General Liability and Automobile Liability coverage provided by Arch Insurance for the first $1 million in limits per occurrence. The general liability policy is subject to a $25,000 per occurrence deductible while the automobile liability is not subject to a deductible. In addition to the first $1 million in limits the Authority has purchased another $20 million in excess umbrella liability policies.

The Authority's Public Official Liability insurance provides coverage for $1 million in limits per claim and a $10 million in excess liability. The Authority also purchases Employment Practices Liability insurance for $1 million in limits per claim and a $10 million in excess liability coverage.

The Authority's Workers' Compensation and Employer's Liability coverage is a fully insured program with no deductible and coverage has been issued for statutory limits as required by the State. This policy provides $1 million in limits for employer's liability coverage. The Authority currently participates in the City of Reno's health insurance plans.

The Authority's Crime Policy provides for $3 million in employee theft coverage and is subject to a $30,000 deductible. The crime policy also provides additional coverage for forgery or alteration, theft of money and securities, robbery or burglary of other property, computer fraud, funds transfer fraud, money orders and counterfeit paper currency, claim expenses, corporate credit, debit card forgery, and faithful performance of duty.

State Regulatory Matters

The State Attorney General has concluded that the Authority is a municipality exempt from regulation by the PUCN pursuant to NRS 704.330. Although it is possible that future legislative action could subject the Authority to PUCN regulation, no future rate regulation may be imposed in a way that would impair the ability of the Authority to perform its obligations under the Bond Resolution.

WATER SYSTEM FINANCIAL INFORMATION

Customer Information

The following table sets forth a breakdown of the average number of accounts served by the Water System in fiscal year 2016 (by customer type) and also sets forth the amount of Water System revenues generated by each customer class. Similar information for prior fiscal years is shown in Schedule No. 12 to the financial statements attached hereto as Appendix A.

Customers by Category - 2016

Category	Average Number of Accounts	% of Total Accounts	2016 Water Revenues[1]	% of Total Revenues
Residential – Unmetered[2]	2,062	1.7%	$ 3,725,916	4.3%
Residential - Metered	106,730	89.9	60,198,267	68.8
Commercial	9,873	8.3	11,026,132	12.6
Other[3]	3	0.0	11,554,063	13.2
Wholesale	1	0.0	1,029,954	1.2
Total	118,669	100.0%	87,534,332	100.0%

____

(1) Includes revenues that were billed and estimated in the fiscal year. Estimated revenues are revenues for water deliveries just prior to the end of the fiscal year that are unbilled until July (i.e., in the next fiscal year).

(2) Volume information is not available for unmetered customers. The Authority is actively working to install meters on the few remaining unmetered properties. See "WATER SYSTEM FINANCIAL INFORMATION--Authority Rates and Charges--*Water Metering Program.*"

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

Source: The Authority.

The following table sets forth the Water System's historical volume of water sales (in millions of gallons) and resulting revenues for fiscal years 2012 through 2016.

History of Gallons of Water Sold and Revenues by Category*

Category	2012 Gallons Sold(000)	2012 Revenue[1]	2013 Gallons Sold(000)	2013 Revenue[1]	2014 Gallons Sold(000)	2014 Revenue[1]
Residential-Unmetered	--[2]	10,899,330	--[2]	$10,288,324	--[2]	$ 9,731,811
Residential-Metered	11,077,177	41,476,536	11,916,455	43,957,551	11,581,326	44,137,033
Commercial	3,902,183	10,473,659	4,083,972	10,885,539	3,913,088	10,775,824
Other[3]	2,543,132	10,129,233	2,816,474	11,031,924	2,688,389	10,720,156
Wholesale	1,831,821	3,473,100	1,982,557	3,748,276	2,070,593	3,845,893
Total	19,354,313	$76,451,858	20,799,458	$79,911,614	20,253,396	$79,190,417

Category	2015[4] Gallons Sold(000)	2015[4] Revenue[1]	2016[5] Gallons Sold(000)	2016[5] Revenue[1]
Residential-Unmetered	--[2]	$ 9,366,307	--[2]	$3,725,916
Residential-Metered	15,151,881	51,796,871	14,633,319	60,198,267
Commercial	4,350,417	11,339,953	4,086,057	11,026,132
Other[3]	2,913,757	11,123,168	2,579,408	11,554,063
Wholesale	1,598,995	2,560,399	542,875	1,029,954
Total	24,015,050	$86,186,698	21,841,659	$87,534,332

(1) Includes revenues that were billed and estimated in the fiscal year. Estimated revenues are revenues for water deliveries just prior to the end of the fiscal year that are unbilled until July (i.e., in the next fiscal year).

(2) Volume information is not available for unmetered customers.

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

(4) Reflects changes as a result of the merger. See “INTRODUCTION--The Authority.” The Water Utility was accounted for as a transfer of operations requiring the recording by the Authority of applicable Water Utility data from the operational effective date of December 31, 2014 through the end of fiscal year 2015. STMGID operational data is also included for the entirety of fiscal year 2015 because the consolidation of STMID into the Authority as of December 31, 2014 was treated as a merger for accounting purposes.

(5) The increased revenue in the “Residential-Metered” category for fiscal year 2016, and the corresponding decrease in the “Residential-Unmetered” category, is primarily a result of the continued implementation of the Authority’s water metering program. See “WATER SYSTEM FINANCIAL INFORMATION--Authority Rates and Charges--*Water Metering Program.*”

Source: The Authority.

The following table sets forth information regarding the ten largest customers of the Water System (by total revenues) for fiscal year 2016.

Ten Largest Water System Customers – 2016

Customer[1]	Gallons Used (in (000 gallons)	Total Water Sales	Percent of Total Water Sales[2]
Sun Valley Water GID	542,875	$ 997,072	1.1%
Washoe County School District	335,471	979,152	1.1
City of Reno	241,871	825,485	0.9
Washoe County	177,797	529,417	0.6
City of Sparks	116,630	401,553	0.5
Nevada Properties (Peppermill Casino)	162,809	391,694	0.4
University of Nevada, Reno	137,419	341,121	0.4
Somersett HOA	94,487	321,226	0.4
GSR Holdings, LLC	160,593	290,629	0.3
Renown System	100,476	259,301	0.3
Total	2,070,428	$5,336,650	6.1%

(1) May represent multiple services per customer.
(2) Based on total revenues from water sales of $87,534,332 in fiscal year 2016.

Source: The Authority.

Authority Rates and Charges

General. The Authority sets rates and charges for water service by resolution. The Authority's most current schedule of rates and charges was effective on February 2014 and reflected an average increase of 3.4%. The prior rate increase was effective in February 2012. The Authority is currently proposing a series of single-digit rate adjustments over the next five years, the first of which would be effective in May, 2017. If approved, the average residential customer's water bill is expected to increase by $1.42 (3%) per month starting May 2017 with an additional monthly increase of $1.47 (3%) in May 2018. The Board will also have the option of implementing 2.5% increases in 2019, 2020 and 2021, if necessary. The Authority reserves the right to increase rates and charges at any time pursuant to applicable law.

The rates and charges applicable to former customers of the Water Utility have been preserved by the Authority and are subject to adjustment commensurate with adjustments to Authority customer rates. The rates and charges of former STMGID customers will also be preserved by the Authority until the date such customers sell their property, at which time the new owner of such property will be subject to the Authority's rates for continued service. Notwithstanding the foregoing, all former STMGID customers are subject to proportionate adjustments commensurate with adjustments to Authority rates, and will migrate to Authority rates beginning in the year 2035.

Rate Structure for Authority. The Authority's current rates include charges for both metered and unmetered service. Unmetered service is only available to multi-unit residential and small unit properties where meters have not yet been installed. Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The monthly meter charge imposed by the Authority for all meter sizes up to 6" in size is identical for all rate classes and is as follows:

3/4"	$18.54
1"	20.40
1.5"	23.20
2"	26.90
3"	30.60
4"	35.20
6"	40.80
8" (not applicable to RMWS rate class)	47.30
10" (not applicable to RMWS rate class)	55.50

The monthly meter charge commodity charge imposed by the Authority differs among rate classes and is described below:

TMWA Residential Metered Water Service Customer Charge (RMWS) – per month	
Tier 1 Charge - 0 to 6,000 gallons	$1.72 per 1,000 gallons
Tier 2 Charge - 6,001 to 25,000 gallons	2.78 per 1,000 gallons
Tier 3 Charge – Greater than 25,000 gallons	3.25 per 1,000 gallons
TMWA Multi Unit Residential Metered Service (MMWS) – per month	
Tier 1 Charge – First 4,000 gallons	$1.72 per 1,000 gallons
Tier 2 Charge – All excess gallons	$2.78 per 1,000 gallons
TMWA Metered Irrigation Service (MIS) – per month	
Off-Peak 10/01-05/31	$2.78
Off-Peak 06/01-09/30	3.37
TMWA General Metered Water Service (GMWS) – per month	
Tier 1 Charge - Max gallons varies by meter size	$1.72 per 1,000 gallons
Tier 2 Charge - Max gallons varies by meter size	2.78 per 1,000 gallons
Tier 3 Charge - Max gallons varies by meter size	3.25 per 1,000 gallons

Rate Structure for Former Water Utility Customers. As previously described, the Authority has maintained the Water Utility's water rates for premises receiving water service from, and located within, the former service area of the Water Utility. Such rates include charges for both metered and unmetered service. Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. Unmetered residential customers pay a flat charge per month based upon the size of the service connection; however, such customers are required to convert to metered service once a meter is installed. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The material portion of the Authority's current rate structure for former Water Utility customers is set forth below:

Residential Metered Water Service (RMWD) small and large service – per month	
3/4"	$17.43
1"	22.42
1.5"	32.07
2"	42.76
3"	68.85
4"	100.84
6"	183.85

Small residential service (RMWD1)	
Tier 1 - 0 to 6,999 gallons	$2.62 per 1,000 gallons
Tier 2 - 7,000 to 20,999 gallons	3.27 per 1,000 gallons
Tier 3 - 21,000 to 40,999 gallons	3.93 per 1,000 gallons
Tier 4 – Greater than 41,0000	5.25 per 1,000 gallons

Large residential service (RMWD2)	
Tier 1 - 0 to 28,999 gallons	$2.62 per 1,000 gallons
Tier 2 – 29,000 to 150,999 gallons	3.27 per 1,000 gallons
Tier 3 – 151,000 to 600,999 gallons	3.93 per 1,000 gallons
Tier 4 – Greater than 601,000 gallons	5.25 per 1,000 gallons

<u>Rate Structure for Former STMGID Customers</u>. As previously described, the rates and charges of former STMGID customers will be preserved by the Authority until the earlier of the date such customers sell their property to a third party or the year 2035, at which time the new owner of such property will be subject to the Authority's rates for continued service. Such rates include charges for both metered and unmetered service. Such rates are lower than the comparable rates for the Authority and the former Water Utility because STMGID has no outstanding debt. Unmetered residential customers pay a flat charge of $44.91 per month (only approximately 170 connections). Metered residential and general customers pay a monthly charge based upon meter size plus a commodity charge based on water usage. The commodity charge increases for higher usage levels in order to encourage conservation and allocate capacity costs.

The material portion of the Authority's current rate structure for former STMGID customers is set forth below:

Residential Metered Water Service (RMWG) – per month	
3/4"	$ 9.49
1"	11.61
1.5"	16.47
Tier 1 - 0 to 6,000 gallons	$1.36 per 1,000 gallons
Tier 2 - 6,001 to 20,000 gallons	1.80 per 1,000 gallons
Tier 3 - 20,001 to 40,000 gallons	2.21 per 1,000 gallons
Tier 4 - 40,001 to 65,000 gallons	2.58 per 1,000 gallons
Tier 5 - Greater than 65,000 gallons	2.73 per 1,000 gallons

<u>Other Charges</u>. The Authority's rate structures also include provisions for the collection of a right-of-way toll of not to exceed 5% within the incorporated areas of Reno and

Sparks. The right-of-way toll is collected on behalf of each city in an amount determined by the city and is paid directly to each city. The rate structures also provide for a regional water management fee collected on behalf of and payable to the County in the amount of 1.5%. The Authority also imposes late charges in the amount of 5% of any amount in arrears from previous billings. Notwithstanding the foregoing, former Water Utility customers residing within the jurisdictions of Reno and Sparks were not subject to a right-of-way toll. Consequently, the Authority has agreed to phase in the right-of-way toll for such customers over a five-year period in a manner that will result in no such tolls being paid by such customers for the first two years.

The Authority also imposes several system development charges that are contributed for the expansion and construction of new Water System Capacity. The main system development charges are comprised of Supply/Treatment and Storage Facility Charges for providing new or expanded service to existing or new properties and an Area Facility Charge that is based on the location of the property. All of these charges are based on the estimated maximum day demand of the project in gallons per minute. The Authority also has implemented oversizing fees, various service fees for inspection and engineering, water meter retrofit fees and will-serve commitment fees. While these changes are updated from time to time by action of the Board of Directors, the Authority currently does not anticipate imposing any additional tap fees or other connection fees in the foreseeable future.

Water Metering Program. All commercial and industrial customers of the Water System, as well as residential customers residing in housing built since 1988 are required to be billed based upon metered water use. The Authority has nearly completed a water meter retrofit program to install meters on the few remaining unmetered properties. As of February 1, 2017, the Authority estimated that approximately 140 multi-unit flat rate and 400 small unit flat rate services require meter installation. Once those meters are installed, the Authority will have 100% of the services metered. The program is fully funded over time through an arrangement with residential and commercial developers which are required to place money (currently $1,830 per acre-foot of demand when water rights are dedicated for new or expanded service) into a fund dedicated for that purpose prior to obtaining service.

Billing and Collection Procedures

The Authority bills each service monthly based on meter readings (or, in certain limited cases, estimated usage). Bills are due and payable within 21 days of the date of issuance. Any bills paid later than that date are considered past due. Past due services are eligible to have water service disconnected for nonpayment.

Historical Debt Service Coverage

The following tables set forth: (i) the Net Revenues (first without, and then with, system development charges ("SDCs") included therein) for the Authority's fiscal years 2012 through 2016; (ii) the scheduled debt service paid on the Authority's then-outstanding Bonds in each of those fiscal years; and (iii) the debt service coverage ("DSC") for those fiscal years calculated by comparing the total Net Revenues in each year to the debt service. The fiscal year 2015 information includes the results of the Water Utility consolidation that was effective December 31, 2014, which was treated for accounting purposes as a transfer of operations, as well as the results of STMGID for the entire fiscal year, which was treated as merger for accounting purposes. Net Revenues are shown both exclusive and inclusive of SDCs because the Authority has adopted a policy goal of maintaining debt service coverage on its senior lien bonds, exclusive of developer income such as the SDCs, of at least 1.50x.

Historical Pledged Revenues and Debt Service Coverage

	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Water Sales[(1)]	$76,451,858	$79,911,614	$79,190,417	$86,186,698	$87,534,332
Other Operating Revenues[(2)]	5,338,641	5,665,493	5,124,973	3,842,618	4,394,611
Investment Income[(3)]	2,303,947	2,032,989	2,092,615	2,127,009	6,737,745
Total Gross Revenues	84,094,446	87,610,096	86,408,005	92,156,325	98,666,688
Operation & Maintenance Expenses[(4)]	34,273,048	37,101,189	36,289,662	42,215,411	48,481,317
Net Revenues (excluding SDCs)	49,821,398	50,508,907	50,118,343	49,940,914	50,185,371
Senior Lien Annual Debt Service[(5)]	21,295,330	29,671,606	30,076,900	29,954,747	31,780,186
Senior Lien DSC Excluding SDCs[(7)]	**2.34x**	**1.70x**	**1.67x**	**1.67x**	**1.58x**
System Development Charges (net of refunds)[(6)]	416,564	1,517,447	1,374,107	4,082,592	5,405,103
Net Revenues (including SDCs)	50,237,962	52,026,354	51,492,450	54,023,506	55,590,474
Senior Lien Annual Debt Service[(5)]	21,295,330	29,671,606	30,076,900	29,954,747	31,780,186
Senior Lien DSC Including SDCs[(7)]	**2.36x**	**1.75x**	**1.71x**	**1.80x**	**1.75x**

(1) Includes retail residential, commercial, irrigation and wholesale water sales (including wholesale water sales to the County under two contracts), net of bad debt expense. See "WATER SYSTEM FINANCIAL INFORMATION--Authority Rates and Charges."

(2) Includes hydroelectric revenues and other miscellaneous operating revenues from fees and charges and reimbursements.

(3) Includes gross investment income before reduction by capitalized investment income pursuant to Financial Accounting Standards Board Pronouncement ("FASB") 62.

(4) 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.

(5) Reflects debt service payable on the then-outstanding Bonds through the July 1 immediately following the end of each fiscal year. See "DEBT SERVICE REQUIREMENTS." Interest expense is actual interest paid before capitalization of interest expense pursuant to FASB 34. *Does not include debt service on the Authority's commercial paper notes or other subordinate obligations.* See "THE AUTHORITY--Debt Authorization, Outstanding Obligations and Other Obligations."

(6) Includes only cash contributions; excludes infrastructure contributions. Does not include water meter retrofit payments and sales of water right/will serve sales since those revenues are earmarked for the water meter retrofit project and purchase of additional water rights.

(7) The senior lien DSC ratio increased in fiscal year 2012 due to the Authority's issuance of subordinate commercial paper notes to defease the Authority's senior lien Water Revenue Bonds, Series 2001-A.

Source: The Authority.

History of Revenues, Expenses and Changes in Net Assets - Authority

Set forth in the following table is a comparative statement of the Authority's revenues, expenses and changes in net assets for the fiscal years ending June 30, 2012 through 2016. The information in this table should be read together with the Authority's audited financial statements for the fiscal years ended June 30, 2016 and 2015, and the accompanying notes, which are included as Appendix A hereto. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION--Additional Information." The fiscal year 2015 information includes the results of the Water Utility consolidation that was effective December 31, 2014, which was treated for accounting purposes as a transfer of operations, as well as the results of STMGID for the entire fiscal year, which was treated as merger for accounting purposes.

[The remainder of this page intentionally left blank.]

History of Revenues, Expenses and Changes in Net Position

	Fiscal Year ended June 30,				
	2012	2013	2014	2015[5]	2016
Operating Revenues					
Charges for water sales	$76,451,858	$79,911,614	$79,190,417	$86,186,698	$87,534,332
Hydroelectric sales	3,519,897	3,557,965	3,045,147	1,366,786	1,175,195
Other operating sales	1,818,744	2,107,528	2,079,826	2,475,832	3,219,416
Total Operating Revenues	81,790,499	85,577,107	84,315,390	90,029,316	91,928,943
Operating Expenses					
Salaries and wages	11,128,162	12,007,022	11,855,796	13,763,006	16,541,811
Employee benefits	4,819,187	5,045,922	5,127,921	5,271,735	6,364,279
Services and supplies	18,325,699	20,048,245	19,305,945	23,180,670	25,575,227
Total Operating Expenses before Depreciation	34,273,048	37,101,189	36,289,662	42,215,411	48,481,317
Depreciation	22,349,225	22,517,885	23,028,198	27,899,449	32,134,190
Total Operating Expenses	56,622,273	59,619,074	59,317,860	70,114,860	80,615,507
Operating Income (Loss)	25,168,226	25,958,033	24,997,530	19,914,456	11,313,436
Nonoperating Revenues (Expenses)					
Grants	791,773	--	--	--	--
Investment earnings	2,277,298	2,007,375	2,051,156	2,127,009	6,737,745
Net increase (decrease) in fair value of investments	(64,336)	(17,119)	(13,139)	15,970	80,042
Gain on refunding	1,305,810	--	--	--	--
Gain (Loss) on disposal of assets	(611,086)	(21,463)	(136,300)	(653,698)	6,460,373
Amortization of bond/note issuance costs	(969,053)	(852,069)	(936,664)	(1,004,685)	(1,219,746)
Interest expense	(21,786,675)	(21,791,975)	(21,282,412)	(21,281,117)	(21,549,864)
Other non-operating revenue	248,676	163,057	180,000	300,000	--
Other non-operating expense	(215,457)	(163,057)	(248,980)	(3,029,859)	--
Total Nonoperating Revenues (Expenses)	(19,023,050)	(20,675,251)	(20,386,339)	(23,526,380)	(9,491,450)
Income (Loss) before Capital Contributions	6,145,176	5,282,782	(4,611,191)	(3,611,924)	1,821,986
Capital Contributions					
Grants	--	208,227	343,628	276,260	224,138
Water meter retrofit program	173,094	174,698	479,488	1,013,896	482,081
Developer infrastructure contributions	263,249	702,699	1,723,023	2,703,092	8,454,980
Developer will-serve (water right) contributions (net of refunds)[1]	173,599	201,871	1,529,129	1,864,446	4,363,692
Developer capital contributions-other[1]	153,475	469,732	410,447	1,588,158	2,473,163
Developer facility charges (net of refunds)[1]	263,089	1,047,715	963,660	2,494,434	2,931,940
Contributions from others[1]	82,556	142,662	66,829	9,698,535	356,200
Net Capital Contributions	1,109,062	2,947,604	5,516,204	19,638,821	19,286,194
Special Item					
Washoe County Water Utility Transfer of Operations[2]	--	--	--	231,516,024	--
Change in Net Position	7,254,238	8,230,386	10,127,395	$247,542,921	21,108,180
Adjustment[3]	(2,240,218)	--	--	--	--
Net Position, Beginning of Year[4]	285,950,999	293,205,237	301,435,623	316,331,213	563,874,134
Net Position, End of Year	$293,205,237	$301,435,623	$311,563,018	$563,874,134	$584,982,314

**Footnotes on following page.

(1) Developer will serve contributions and developer facility charges have increased substantially over the past five years due to increased residential construction activity in the Reno-Sparks metropolitan area and in Washoe County. Contributions from others reflect the transfer of insurance proceeds from NV Energy as a result of a partial settlement with its insurers covering the Farad Facilities that was destroyed in the 1997 flood. Other settlement proceeds are being sought by NV Energy and the Authority has a beneficial interest in any future settlements.

(2) This special item reflects the effect on net position of the transfer of the Water Utility accounting balances to the Authority.

(3) Prior period adjustment to reflect the write-off of prior deferred bond issuance expenses that are not bond insurance.

(4) The change in beginning net position in fiscal year 2015 reflects the restatement of net position as a result of merging STMGID into the Authority.

(5) The fiscal year 2015 information includes the results of the Water Utility consolidation that was effective December 31, 2014, which was treated for accounting purposes as a transfer of operations, as well as the results of STMGID for the entire fiscal year, which was treated as merger for accounting purposes.

Source: Derived from the Authority's audited financial statements for the years ended June 30, 2012 through 2016.

[The remainder of this page intentionally left blank.]

Budget Summary and Comparison

Budget Summary and Comparison. Set forth in the table below is a comparison of the Authority's 2016 budget compared to actual (audited) results for 2016, and its budget for fiscal year 2017.

Budget Summary and Comparison

	2016 Budget	2016 Actual	Variance	2017 Budget
Operating Revenues				
Charges from water sales	$88,328,024	$87,534,332	$(793,692)	$88,833,746
Hydroelectric sales	945,552	1,175,195	229,643	1,755,890
Other operating sales	2,580,867	3,219,416	638,549	2,471,500
Total Operating Revenues	91,854,443	91,928,943	74,500	93,061,136
Operating Expenses				
Salaries and wages	16,609,056	16,541,811	67,245	18,319,615
Employee benefits	8,164,236	6,364,279	1,799,957[(1)]	9,332,796
Services and supplies	27,666,431	25,575,227	2,091,204	26,078,715
Total Operating Expenses before Depreciation	52,439,723	48,481,317	3,958,406	53,731,126
Depreciation	33,207,312	32,134,190	1,073,122	33,247,620
Total Operating Expenses	85,647,035	80,615,507	5,031,528	86,978,746
Operating Income	6,207,408	11,313,436	5,106,028	6,082,390
Nonoperating Revenues (Expenses)				
Investment earnings	2,357,604	6,737,745	4,380,141[(2)]	2,231,304
Net (decrease) in fair value of investments	--	80,042	80,042	--
Gain (loss) on disposal of assets	(625,000)	6,460,373	7,085,373[(3)]	--
Bond issue costs and amort of bond insurance	(1,105,128)	(1,219,746)	(114,618)	(474,444)
Interest expense	(21,191,268)	(21,549,864)	(358,596)	(16,930,176)[(4)]
Total Nonoperating Revenues (Expenses)	(20,563,792)	(9,491,450)	(11,072,342)	(15,173,316)
Income (Loss) before Capital Contributions	(14,356,384)	1,821,986	16,178,370	(9,090,926)
Capital Contributions				
Grants	--	224,138	224,138	150,000
Water meter retrofit program	540,684	482,081	(58,603)	1,619,256
Developer infrastructure contributions	--	8,454,980	8,454,980[(5)]	--
Developer will-serve contributions (net of refunds)	1,152,288	4,363,692	3,211,404	4,615,656
Developer capital contributions-other	906,612	2,473,163	1,566,551	3,165,144
Developer facility charges (net of refunds)	1,505,652	2,931,940	1,426,288	4,509,144
Contributions from others	6,995,000	356,200	(6,638,800)[(3)]	--
Net Capital Contributions	11,100,236	19,286,194	8,185,958	14,059,200
Change in Net Position	(3,256,148)	21,108,180	24,364,328	4,968,274

(1) Employee benefits were budgeted to increase by 20% in fiscal year 2016 but the Authority did not experience this increase until mid-year.

(2) In connection with the issuance of the 2016 Bonds, the Authority received $4,400,000 in compensation for a partial termination of a forward delivery agreement related to a reserve fund securing prior Authority indebtedness.

(3) $7 million of surplus water rights were sold by the Authority to implement TROA. The sale of such water rights was included in the budget under contributions from others but was ultimately recorded as a gain on disposal of assets.

(4) Interest expense has decreased due to amortization changes resulting from the issuance of the Prior Bonds.

(5) Developer infrastructure contributions are fixed assets built by developers and contributed to the Authority. The Authority does not rely on these asset contributions for financial stability.

Source: Derived from the Authority's 2016 budget, the Authority's 2016 audited financial statements, and the Authority's 2017 budget.

LEGAL MATTERS

Litigation

General. In the opinion of the Authority's general counsel, there is no litigation or controversy of any nature now pending, or to the knowledge of counsel, threatened, (i) restraining or enjoining the issuance, sale, execution or delivery of the 2017 Bonds or the completion of the Refunding Project or (ii) in any way contesting or affecting the validity of the 2017 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for the payment of the 2017 Bonds, or the corporate existence or the powers of the Authority. Further, except as described below, the Authority's general counsel is of the opinion that current litigation facing the Authority will not materially affect the Authority's ability to perform its obligations to the owners of the 2017 Bonds.

Sovereign Immunity

Pursuant to State statute (NRS Section 41.035), an award for damages in an action sounding in tort against the Authority may not include any amount as exemplary or punitive damages and is limited to $100,000 per cause of action. The limitation does not apply to federal actions brought under federal law such as civil rights actions under 42 U.S.C. Section 1983 and actions under The Americans with Disabilities Act of 1990 (P.L. 101-336), or to actions in other states.

Legal Opinion

The legal opinion of Sherman & Howard L.L.C., Bond Counsel, Reno, Nevada, as to the validity and enforceability of the 2017 Bonds will be made available to the Underwriters at the time of original delivery of the 2017 Bonds. See Appendix D - Form of Approving Opinion Of Bond Counsel. Sherman & Howard L.L.C. also has acted as special counsel to the Authority in connection with preparation of this Official Statement. Certain legal matters will be passed upon for the Authority by its general counsel, McDonald Carano Wilson LLP, Reno, Nevada.

TAX MATTERS

Federal Tax Matters

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2017 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2017 Bonds (the "Tax Code"), and interest on the 2017 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations as described below.

The Tax Code imposes several requirements which must be met with respect to the 2017 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the 2017 Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2017 Bonds; (b) limitations on the extent to which proceeds of the 2017 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2017 Bonds above the yield on the 2017 Bonds to be paid to the United States Treasury. The Authority has covenanted and represented in the Bond Resolution that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2017 Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under such federal income tax laws in effect when the 2017 Bonds are delivered. Bond Counsel's opinion as to the exclusion of interest on the 2017 Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the Authority to comply with these requirements could cause the interest on the 2017 Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the Authority and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 20% alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, 75% of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the 2017 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2017 Bonds. Owners of the 2017 Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2017 Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. All of the 2017 Bonds were sold at a premium, representing a difference between the original offering price of those 2017 Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such 2017 Bonds (if any) may realize a taxable gain upon their disposition, even though such 2017 Bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest on the 2017 Bonds from gross income and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal tax consequences arising from the receipt or accrual of interest on or ownership of the 2017 Bonds. Owners of the 2017 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2017 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2017 Bonds, the exclusion of interest on the 2017 Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the 2017 Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the 2017 Bonds. Owners of the 2017 Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2017 Bonds. If an audit is commenced, the market value of the 2017 Bonds may be adversely affected. Under current audit procedures the Service will treat the Authority as the taxpayer and the Bond owners may have no right to participate in such procedures. The Authority has covenanted in the Bond Resolution not to take any action that would cause the interest on the 2017 Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the Authority, the Financial Advisors, the Underwriters, Bond Counsel or Special Counsel is responsible for paying or reimbursing any 2017 Bond holder with respect to any audit or litigation costs relating to the 2017 Bonds.

State Tax Exemption

The 2017 Bonds, their transfer, and the income therefrom, are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to Chapter 375A of NRS, and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned the 2017 Bonds the ratings shown on the cover page of this Official Statement. An explanation of the significance of any rating given by Moody's may be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007. An explanation of the significance of any rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

Such ratings will reflect only the views of such rating agencies, and there is no assurance that any rating will continue for any given period of time or that any rating will not be revised downward or withdrawn entirely by the applicable rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2017 Bonds. Other than its reporting obligations pursuant to the Disclosure Certificate, the Authority has not undertaken any responsibility to bring to the attention of the owners of the 2017 Bonds any proposed change in or withdrawal of such ratings once received or to oppose any such proposed revision.

INDEPENDENT AUDITORS

The audited basic financial statements of the Authority as of and for the years ended June 30, 2016 and 2015, and the report rendered thereon by Eide Bailly LLP, Reno, Nevada, have been included herein as Appendix A.

The Authority's audited financial statements, including the auditors report thereon, are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited financial statements in this Official Statement. Since the date of its report, Eide Bailly LLP has not been engaged to perform and has not performed any procedures on the financial statements addressed in that report and also has not performed any procedures relating to this Official Statement.

FINANCIAL ADVISORS

Hobbs, Ong & Associates, Inc. and Public Financial Management, Inc. are serving as financial advisors to the Authority in connection with the 2017 Bonds. Contact information for the Financial Advisors can be found in "INTRODUCTION--Additional Information." The Financial Advisors have not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the Authority with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisors respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

UNDERWRITING

The Underwriters have agreed to purchase the 2017 Bonds from the Authority pursuant to a bond purchase agreement, at a price of $171,986,043.16 (equal to the par amount of the 2017 Bonds, plus original issue premium of $24,853,662.25 less Underwriters' discount of $282,619.09).

The Underwriters are committed to take and pay for all of the 2017 Bonds if any 2017 Bonds are taken. The Underwriters intend to offer the 2017 Bonds to the public at the offering prices appearing on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2017 Bonds.

Citigroup Global Markets Inc. ("Citi"), an underwriter of the 2017 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citi may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citi may compensate UBSFS for their selling efforts with respect to the 2017 Bonds.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

OFFICIAL STATEMENT CERTIFICATION

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is duly approved by the Board as of the date on the cover page hereof.

TRUCKEE MEADOWS WATER AUTHORITY, NEVADA

By: /s/ Michele Sullivan
Chief Financial Officer

APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2016 AND 2015

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying statements of net position of the Truckee Meadows Water Authority, a Joint Powers Authority, (TMWA), as of and for the years ended June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise TMWA's basic financial statements.

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

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

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

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

www.eidebailly.com
5441 Kietzke Ln., Ste. 150 | Reno, NV 89511-2094 | T 775.689.9100 | F 775.689.9299 | EOE

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, 2016 and 2015, 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 19-28 and the schedule of funding progress – other postemployment benefit plans on page 64, the schedule of TMWA's share of net pension liability on page 65, and the schedule of TMWA's contributions on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise TMWA's basic financial statements. The introductory section, the 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of revenues, expenses and changes in net position – budget and actual and the schedule of expenditures of federal awards 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 29, 2016, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TMWA's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
November 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2016, June 30, 2015, and June 30, 2014. This section should be read in conjunction with the transmittal letter at the front of this report and TMWA's financial statements following this section. The financial presentation for fiscal years 2016 and 2015 reflect the adoption of Government Accounting Standards Board Statement (GASB) 72, *"Fair Value Measurement and Application"*, GASB 68, "*Accounting and Financial Reporting for Pensions"* and the adoption of GASB 69, "*Government Combinations and Disposals of Government Operations"*.

The adoption of GASB 72 in fiscal year 2016 resulted in additional disclosures related to the fair value measurement of TMWA's investments in the notes to the financial statements. The adoption of GASB 68 in fiscal year 2015 by TMWA resulted in the recognition of a net pension liability of $22.3 million as of fiscal year end 2015, which increased to $26.9 million as of fiscal year end 2016. Associated deferred outflows and inflows of resources are disclosed in the financial statements. Adoption of GASB 69 as a result of the transfer of operations of the Washoe County Water Utility (WCWU) and the merger of the South Truckee Meadows General Improvement District (STMGID) into TMWA in fiscal year 2015, had a material impact on TMWA's financial statements. These financial items are described in this section and also in the notes to the financial statements. The assets and liabilities and net position of the WCWU transfer of operations were measured and incorporated in TMWA's financial statements as of January 1, 2015, with operating and non-operating revenues and expenses accounted for prospectively from that date. The asset, liabilities and net position of the STMGID combination were measured as of July 1, 2014 and the entire fiscal year of operating and non-operating revenues and expenses were accounted for in TMWA's financial statements from that date.

FINANCIAL HIGHLIGHTS

TMWA's Net Position
(in millions)

	June 30, 2016	June 30, 2015	June 30, 2014
Unrestricted Current Assets	$ 116.0	$ 130.2	$ 78.7
Restricted Current Assets	21.5	22.4	22.6
Long-Term Restricted and Other Assets	66.8	69.1	51.5
Capital Assets, net	930.8	905.6	666.8
Total Assets	1,135.1	1,127.3	819.6
Deferred Outflow of Resources	10.2	9.2	7.1
Total Assets & Deferred Outflow of Resources	1,145.3	1,136.5	826.7
Long Term Debt Outstanding	406.7	410.8	415.3
Long Term Liabilities-Other	26.9	22.3	-
Total Current Liabilities	123.1	133.8	99.8
Total Liabilities	556.7	566.9	515.1
Deferred Inflow of Resources	3.6	5.7	-
Net Investment in Capital Assets	478.5	444.4	230.3
Restricted	40.6	42.2	25.2
Unrestricted	65.9	77.3	56.1
Total Net Position	$ 585.0	$ 563.9	$ 311.6

In the fiscal year ended June 30, 2016, total net position increased by approximately $21.1 million, the result of recording operating income, net nonoperating income and increasing capital contributions. In the fiscal year ended June 30, 2015, total net position increased by approximately $252.3 million, the result of the additions of the WCWU and STMGID net positions into TMWA's, as well as operating income and capital contributions. Offsetting were decreases from the adoption of GASB 68 which reduced the net position of TMWA by $24.9 million

At June 30, 2016, total Unrestricted Current Assets decreased by $14.2 million from June 30, 2015. The overall decrease was mainly due to a decrease in due from other governments by $10.1 million as a result of final cash balances transferred in fiscal year 2016 related to WCWU and STMGID treasury balances, and a decrease in unrestricted cash by $5.2 million. Offsetting was an increase in accounts receivable of $1.0 million due to slightly greater year end water sales. At June 30, 2015, total Unrestricted Current Assets increased by approximately $51.5 million from fiscal year end 2014. The overall increase was mainly due to an increase in unrestricted cash of $41.7 million due to the transfer of WCWU cash as a result of the transfer of operations, and a $9.3 million increase in due from other governments for treasury balances still due from WCWU at year end. Cash flow from operations and increased cash capital contributions were sufficient to cover cash operating expenses, debt service requirements, capital spending and expenses related to the additions of the WCWU and STMGID into TMWA.

At June 30, 2016, total Restricted Current Assets decreased by $1.0 million from fiscal year end 2015. This overall decrease was mainly due to a decrease in current bond debt service by $1.3 million due to lower interest payable on refunding obligations, offset by an increase of $0.3 million in water meter retrofit fund cash. At June 30, 2015, total Restricted Current Assets decreased by $0.2 million from fiscal year end 2014. This overall decrease was due to a decrease in current bond debt service by $1.1 million due lower principal payments due on refunding obligations, offset by an increase of $0.9 million in water meter retrofit fund cash.

At June 30, 2016, Restricted Noncurrent and Other Assets decreased from fiscal year end 2015 by $2.3 million due to a decrease in restricted renewal and replacement reserve of $4.6 million mainly due to the use of STMGID reserves for rehabilitation on the former STMGID service area. Offsetting were increases in restricted cash for bond debt service by $1.6 million and an increase in the operations and maintenance reserve by $1.2 million due to an increase in the operating expense budget as a result of a full year of merged water utility operations. At June 30, 2015, Restricted Noncurrent and Other Assets increased from fiscal year end 2014 by $17.5 million. This overall increase was due to an increase in the renewal and replacement reserve of $15.7 million from the restriction of STMGID cash transferred to TMWA in the merger to be used for rehabilitation on the former STMGID service area. An increase of $1.2 million in the operations and maintenance reserve was due to an increase in the operating expense budget as a result of merged water utility operations, most of which occurred halfway through the year.

As of June 30, 2016, Deferred Outflow Of Resources increased by $1.0 million mainly due to $3.4 million increase in deferred outflows of resources recorded related to pensions, and an increase in deferred outflows of $3.1 million recorded for the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2016 refunding of its 2006 bonds. Offsetting was amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, 2014, 2015A and 2016 advanced refundings of $5.5 million. As of June 30, 2015 Deferred Outflow Of Resources increased by $2.1 million mainly due to $3.8 million in deferred outflows of resources recorded related to the adoption of GASB 68, offset by the amortization to interest expense of the difference between reacquisition price and net carrying amount of old debt related to TMWA's 2006, 2007, and 2010 advanced refundings of $1.7 million.

Capital assets net of accumulated depreciation increased by a net $25.2 million from June 30, 2015 to June 30, 2016. Total net asset additions of $57.1 million were offset by net increase in accumulated depreciation of $31.9 million. During the fiscal 2016 year, TMWA purchased water rights in Donner Lake for an appraised value of $17.4 million, and land of $0.1 million. TMWA constructed or purchased capital assets in the amount of $41.9 million and recorded depreciation expense of $32.1 million. Capital assets net of accumulated depreciation increased by a net $238.8 million from June 30, 2014 to June 30, 2015. Total net asset additions of $338.9 million were offset by net increase in accumulated depreciation of $100.1 million. The change in capital assets is the result of the addition of the WCWU and STMGID, as well as changes in capital assets due to construction activities and capital outlays for the fiscal year end 2015. With respect to the transfer of operations and the merger of the water utilities, a total of $313.9 million in capital assets were transferred, with related accumulated depreciation of $75.1 million. WCWU transferred to TMWA $286.0 million in capital assets and $60.3 million of related accumulated depreciation. STMGID transferred to TMWA $27.9 million in capital assets and $14.8 million in related accumulated depreciation. During the fiscal 2015 year, TMWA constructed or purchased capital assets in the amount of $29.0 million and recorded depreciation expense of $27.9 million. Total asset disposals were $4.0 million, with related accumulated depreciation of $2.9 million. Of the total capital assets transferred to TMWA as a result of the transfer of operations and the merger, $8.1 million were capital assets that are not depreciated and constituted land transfers.

At June 30, 2016, total current liabilities decreased $10.7 million from June 30, 2015. Current liabilities payable from unrestricted assets decreased by $9.4 million, with current portion of long term debt decreasing by $6.9 million mainly due to paydown of Commercial Paper by $7.2 million. Other main decreases were in accounts payable which decreased by $1.5 million and due to other government decreased by $0.7 million. Current liabilities payable from restricted assets decreased by $1.3 million, with decreases in interest payments due by $2.7 million, offset by higher principal payments due by $1.4 million. At June 30, 2015, total current liabilities increased $34.0 million from fiscal year end 2014. Current liabilities payable from restricted assets increased $35.0 million due to a issuance of $27.0 million in tax-exempt commercial paper notes to defease the WCWU water bond obligations and an increase of $0.8 million in short term loan requirements as a result of TMWA assuming the $9.1 million DWSRF loan from the WCWU. The remaining increase in current liabilities payable from unrestricted assets of $7.2 million was due to an increase of $2.9 million in accounts payable, of $0.9 million in contracts and retention payable, $1.0 million in accrued liabilities, $1.0 million in due to other governments, $0.1 million increase in interest payable and $1.3 million increase in customer and developer deposits. Increase in accounts payable is due to increasing payment activity due to merged water operations. The increase in contracts and retention payable is due to increased construction activity year over year. The increase in due to other governments is payments due to the cities of Reno and Sparks for construction contracts TMWA participates with and an increase in fees for the Western Regional Water Commission, as a result of adding service connections from the additions of the WCWU and STMGID water utilities. The increase in accrued liabilities is largely due to accrued wages and salaries, due to the increase in staffing as well as associated compensated absences. The increase in interest payable is due to the assumption of the $9.1 million DWSRF loan from the WCWU. The increase in customer and developer deposits is due to TMWA assuming certain due to developer liabilities from the WCWU and increased customer deposits as a result of adding the service connections from the WCWU and STMGID. Current liabilities payable from restricted assets decreased due to $0.9 million less principal payments due and $0.1 million less in interest payments due.

At June 30, 2016, total long term liability – other increased by $4.6 million from fiscal year end 2015. This liability represents TMWA's proportionate share of the net pension liability of the Public Employees Retirement System of Nevada (NVPERS), the recording of which is required by GASB 68. At June 30, 2015, total long term pension liability increased $22.3 million from fiscal year end 2014. This increase was due to the adoption of GASB 68.

TMWA's Changes in Net Position
(in millions)

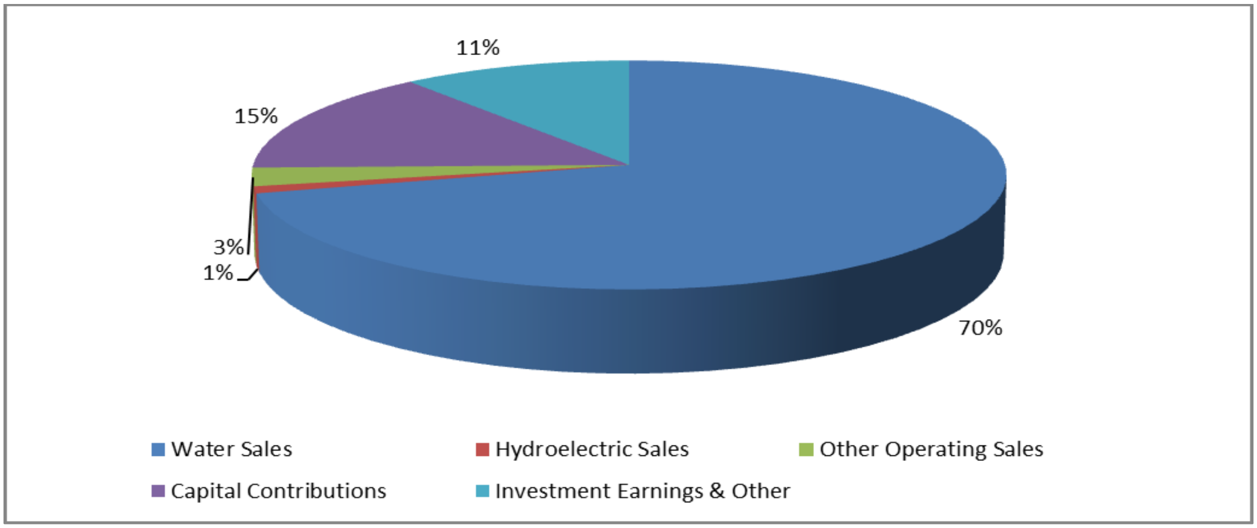
	June 30, 2016	June 30, 2015	June 30, 2014
Operating Revenues	$ 91.9	$ 90.0	$ 84.3
Operating Expenses	80.6	70.1	59.3
Operating Income	11.3	19.9	25.0
Nonoperating Revenues (Expenses) net	(16.5)	(23.5)	(20.4)
Income before Capital Contributions	(5.2)	(3.6)	4.6
Capital Contributions	26.3	19.6	5.5
Special Item - WCWU transfer of operations	-	231.5	-
Change in Net Position	21.1	247.5	10.1
Net Position - BOY, as previously reported	563.9	311.6	301.5
Prior period adjustment for GASB 68	-	(24.9)	-
Prior period adjustment for STMGID merger	-	29.7	-
Net Position - BOY, as restated	563.9	316.4	301.5
Net Position - EOY	$ 585.0	$ 563.9	$ 311.6

TMWA's Revenues
(In millions)

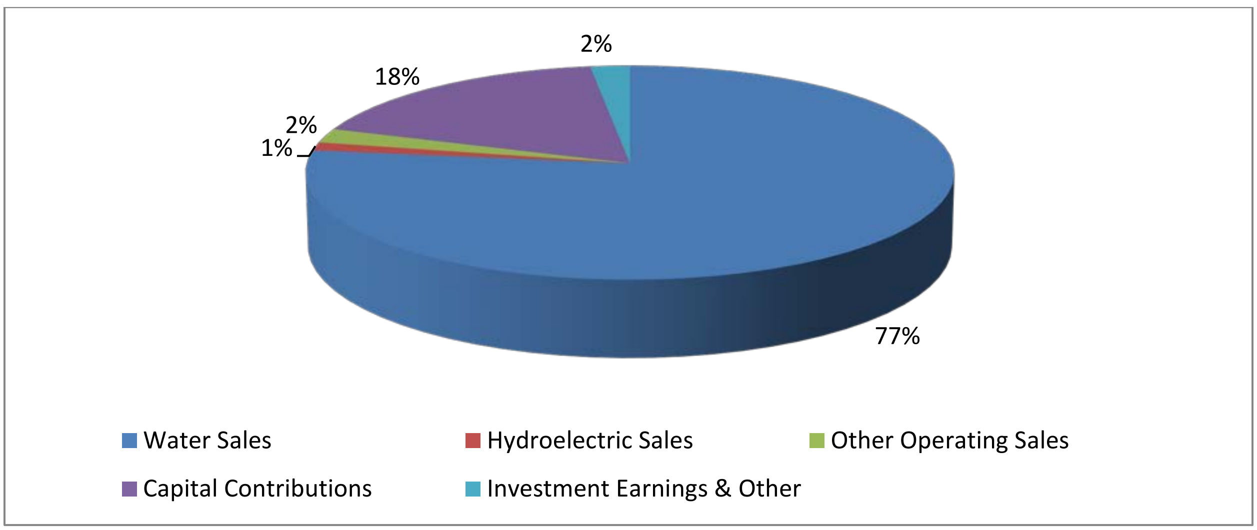
	June 30, 2016	June 30, 2015	June 30, 2014
Revenues			
Operating Revenues			
Water Sales	$ 87.5	$ 86.2	$ 79.2
Hydroelectric Sales	1.2	1.4	3.0
Other Operating Sales	3.2	2.4	2.1
	91.9	90.0	84.3
Nonoperating Revenues			
Investment Earnings	6.7	2.1	2.1
Other	6.5	0.3	0.1
	13.2	2.4	2.2
Capital Contributions	19.3	19.6	5.5
Total Revenues	$ 124.4	$ 112.0	$ 92.0

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2016, 2015, and 2014.

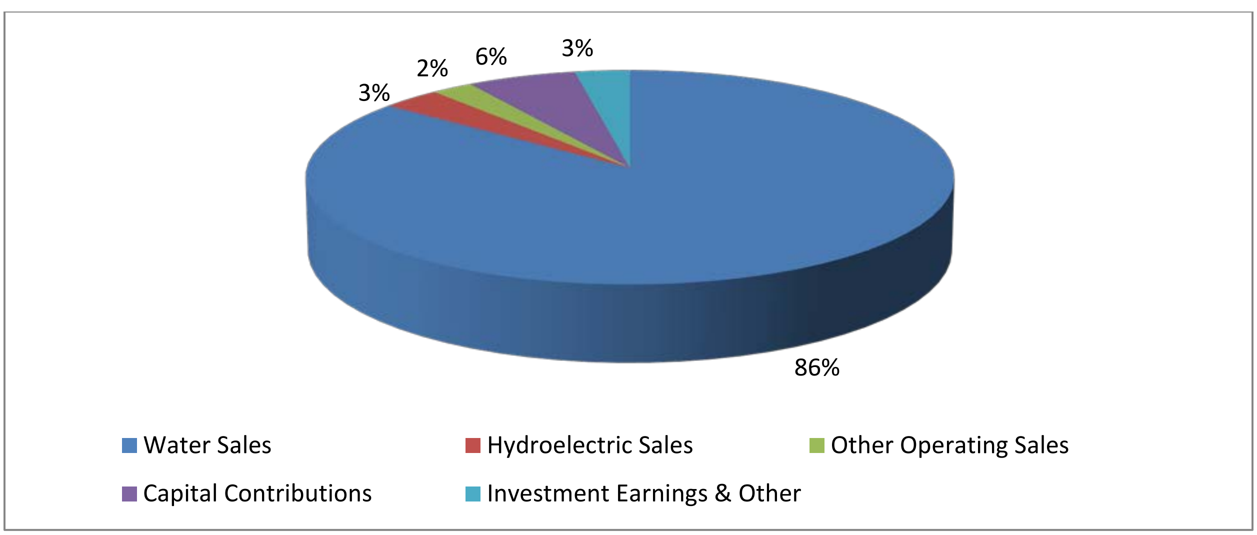
Total Revenues for the Year Ended June 30, 2016



Total Revenues for the Year Ended June 30, 2015



Total Revenues for the Year Ended June 30, 2014



For fiscal year 2016, total operating revenues increased $1.9 million from fiscal year 2015. Water sales were $87.5 million, $1.3 million or 1.56% greater than in fiscal year 2015. Water sales were less than expected from the first full year as a consolidated water utility by $7.8 million due mainly due to conservation. Hydroelectric sales decreased by $0.2 million due to lower river levels early in the fiscal year 2016. Other operating sales increased by $0.8 million due to additional fees collected related to increasing construction activity. Investment earnings were higher by $4.6 million in fiscal year 2016 due to a payment from Bank of America. As part of the 2016 bond refunding, there was a partial release of a forward delivery agreement with Bank of America, and they will no longer be required to provide a 5.5% interest rate on a portion of TMWA's debt reserves balance. Bank of America paid TMWA $4.4 million dollars for the release of this commitment. Other nonoperating revenue increased $6.2 million mainly due to $7.0 million in water rights sold to the Pyramid Lake Paiute Tribe as part of the implementation of TROA. Offsetting was a $0.6 million loss on disposal of assets.

For fiscal year 2016, capital contributions decreased by $0.3 million from fiscal year 2015. This decrease was mainly due to the Farad Hydroelectric Plant river diversion dam settlement payment for $9.6 million received in fiscal year 2015. Offsetting were developer infrastructure contributions of $8.5 million, $5.8 million higher than fiscal year 2015. This is mainly due to increasing residential construction activity. Sales of water (rights) will serves of $4.4 million, $2.5 million higher than fiscal year 2015, were also indicative of this construction trend.

For fiscal year 2015, total operating revenues increased $5.7 million from fiscal year 2014. Water sales were $86.2 million, $7.0 million or 8.8% greater than in fiscal year 2014. The addition of $9.5 million in incremental water sale revenues as a result of merging the WCWU and STMGID into TMWA was offset by less water demands at TMWA which lead to a decrease of approximately $2.5 million in water sales revenue. This was as a result of instituting conservation measures due to the persistent drought. Hydroelectric revenues decreased to $1.4 million or $1.7 million less than the previous year. This decrease was due to extremely low river flows due to persistent drought conditions in light of excellent plant availabilities. Other operating sales were $0.3 million greater than fiscal year 2014 and are attributable to increased inspection fees on increasing residential construction activity.

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

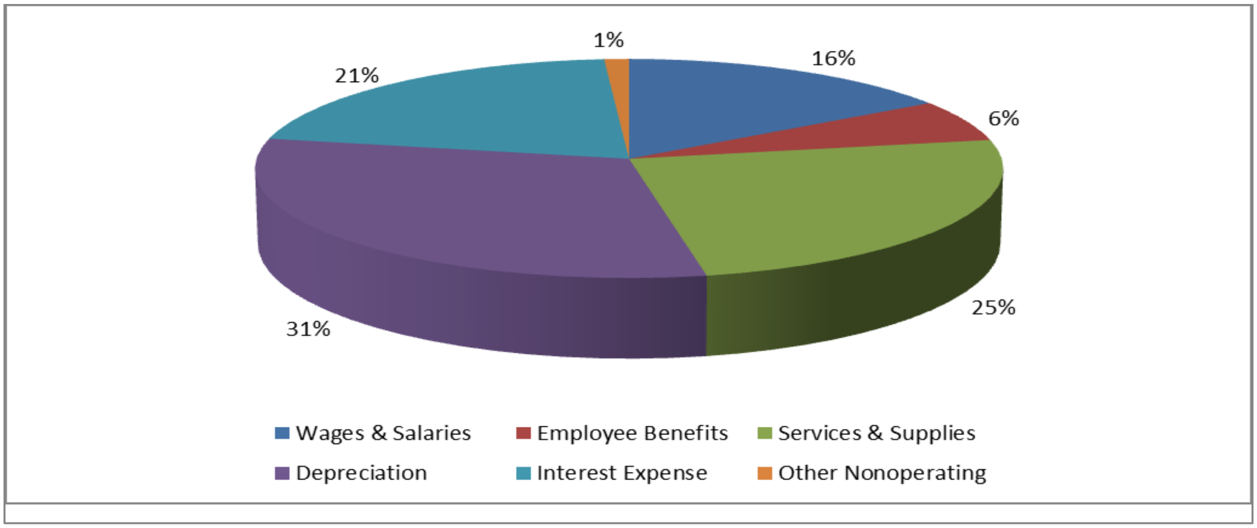
TMWA's Expenses

(in millions)

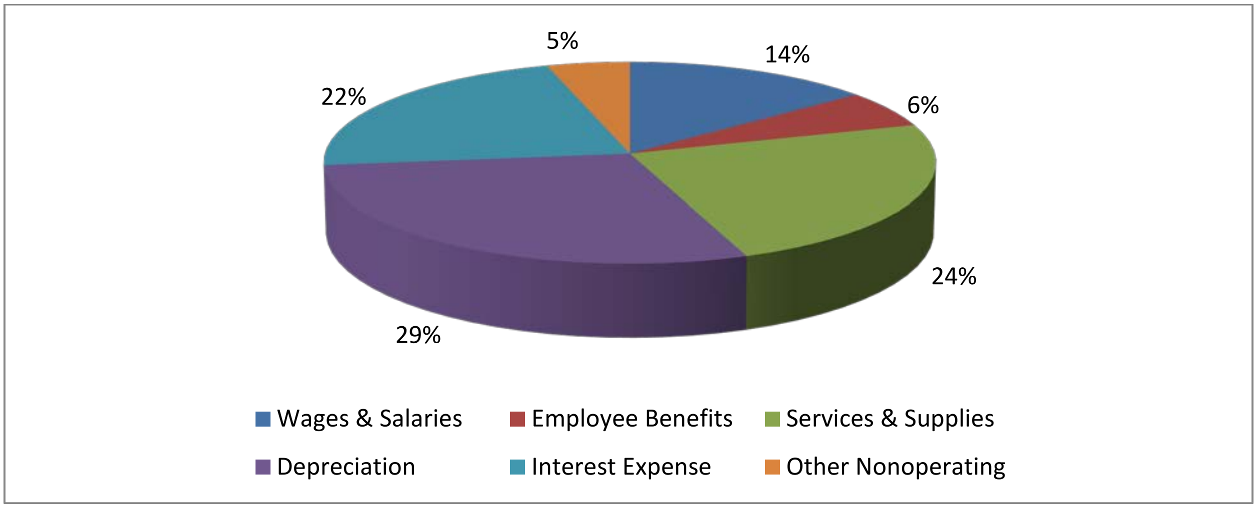
	June 30, 2016	June 30, 2015	June 30, 2014
Expenses			
Operating Expenses			
Wages & Salaries	$ 16.5	$ 13.8	$ 11.9
Employee Benefits	6.4	5.2	5.1
Services & Supplies	25.6	23.2	19.3
Depreciation	32.1	27.9	23.0
	80.6	70.1	59.3
Nonoperating Expenses			
Interest Expense	21.5	21.3	21.3
Other Nonoperating Expenses	1.2	4.6	1.3
	22.7	25.9	22.6
Total Expenses	$ 103.3	$ 96.0	$ 81.9

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2016, 2015 and 2014:

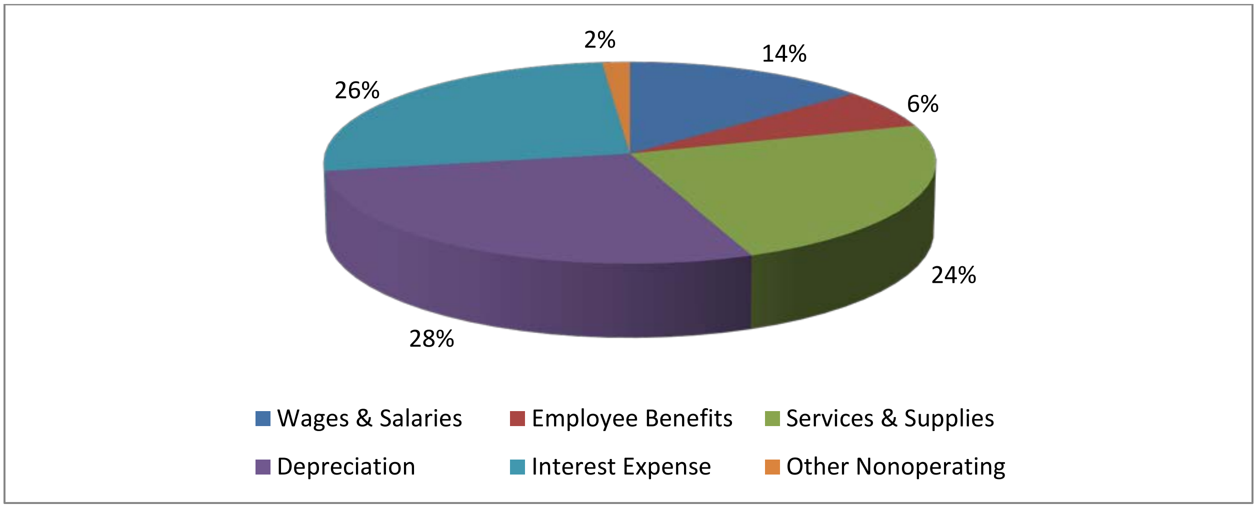
Total Expenses for the Year Ended June 30, 2016



Total Expenses for the Year Ended June 30, 2015



Total Expenses for the Year Ended June 30, 2014



TMWA's operating expenses increased $10.5 million from fiscal year 2015 to fiscal year 2016. This increase was due to an increase of $2.8 million in wages and salaries, an increase of $1.1 million in employee benefits, an increase of $2.4 million in services and supplies expenses and an increase of $4.2 million in depreciation expense. The increase in wages and salaries of $2.8 million is primarily due to the transfer of 25 positions from the WCWU to TMWA, which occurred halfway though fiscal year 2015. In 2016, those employees were with TMWA for a full year. A modest wage increase of approximately 2% added approximately $0.3 million to total operating wages and salaries. Also, three key directors retired in 2016, and several months of overlapping payroll were required to ensure a smooth transition of duties to new management. Employee benefits increased by $1.1 million. TMWA's employee health benefits premiums increased by 20% in January of 2016. Health insurance premiums had not changed for three years prior. Services and supplies expense increased $2.4 million, and depreciation expense increased $4.2 million and are both directly attributable to the water utility merger.

TMWA's operating expenses increased $10.8 million from fiscal year 2014 to fiscal year 2015. This increase was due to an increase of $1.9 million in wages and salaries, an increase $0.1 million in employee benefits, an increase of $3.9 million in services and supplies expenses and an increase of $4.9 million in depreciation expense. The increase in wages and salaries is primarily due to the transfer of 25 positions from the WCWU to TMWA mid year as well as some additional outside hiring. STMGID was contractually operated by the WCWU and had no employees. Also, a modest wage increase of approximately 2% added approximately $0.3 million to total operating wages and salaries. Employee benefits increased by a modest net amount of $0.1 million. Actual employee benefits increased by $0.7 million but was decreased by $0.6 million as a result of the operating expense impact of adopting GASB 68. Pension expense was $3.0 million for fiscal year 2015 while contributions to NVPERS was $3.6 million. Services and supplies expense increased $3.9 million and is directly attributable to the water utility merger.

Total nonoperating expenses decreased by $3.2 million to $22.7 million in fiscal year 2016 from $25.9 million in fiscal year 2015. The primary reason for the decrease is non-operating expenses related to the merger of $3.0 million incurred in fiscal year 2015. Offsetting were higher net interest expense of $0.3 million, and higher amortization of bond/note issuance costs of $0.2 million year over year.

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

CAPITAL ASSETS

At June 30, 2016, TMWA's total capital assets were $1,288.1 million before accumulated depreciation of $357.3 million, for a net book value of $930.8 million. Included in the total capital assets reported on the Statement of Net Position was $17.7 million in construction work in progress.

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

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

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

LONG-TERM DEBT

At June 30, 2016, TMWA had $508.7 million in total reported debt outstanding. This amount reflects $480.3 million in total outstanding principal indebtedness, and $28.4 million net bond premium. Of the $508.7 million in total reported debt outstanding, $102.0 million was due within in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of eleven 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 governement. The final loan amount was $2.4 million. In 2010, TMWA issued $28.2 million of 2010 Refunding Bonds to refinance $29.5 million of certain Series 2001A maturities. Also in fiscal year 2010 TMWA entered into another DWSRF loan arrangement authorized for $8.5 million and drew only $4.4 million. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of $43.0 million in TECP notes in fiscal year 2007, and another $25.0 million in fiscal year 2008. TMWA issued another $11.4 million on June 28, 2011 for purposes of redeeming the remaining outstanding 2001A bonds to reduce interest expenses. The $11.4 million issued on June 28, 2011 was redeemed on December 10, 2012. During fiscal year 2015 TMWA issued $28.8 million in Series 2015A refunding bonds to refinance $33.0 million of outstanding maturities of the Series 2005A bonds. Also during fiscal year 2015, TMWA entered into the 2014 DWSRF loan as a result of the water utility transfer of operations. The loan balance of $9.1 million was transferred from Washoe County to TMWA and was originally used to fund the Longley Lane Water Treatment Facility. During fiscal year 2016 TMWA entered into another DWSRF loan arrangement authorized for $15.0 million and drew $8.2 million as of year end 2016 to fund the North Valleys Integration Project. TMWA does not expect to draw the full $15.0 million. Also in fiscal year 2016 TMWA issued $124.8 million in Series 2016 refunding bonds to refinance $148.0 million of outstanding maturities of the Series 2006 bonds.

As a result of the transfer of operations of WCWU, TMWA issued $27.0 million in tax-exempt commercial paper notes in fiscal year 2015, under an expanded liquidity facility, to defease the $26.1 million in Washoe County water obigations bringing the total outstanding tax-exempt commercial paper notes to $95.0 million. In fiscal year 2016 TMWA paid down $7.2 million of commercial paper bringing the total outstanding tax-exempt commercial paper notes to $87.8 million TMWA intends to re-market the remaining $87.8 million in outstanding tax-exempt commercial paper notes as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less than 270 days.

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

CURRENTLY KNOWN FACTS

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

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.

	2016	2015
Assets		
Current assets		
Cash and investments	$ 99,764,684	$ 104,979,502
Accounts receivable, net	13,580,981	12,616,237
Due from others	313,955	19,566
Due from other governments	45,969	10,096,844
Interest receivable	1,048,498	1,304,308
Prepaid assets and other assets	1,243,125	1,186,025
	115,997,212	130,202,482
Restricted current assets		
Cash and investments		
Water meter retrofit program	2,084,980	1,754,197
Current bond debt service	19,395,405	20,675,394
	21,480,385	22,429,591
Total current assets	137,477,597	152,632,073
Restricted noncurrent assets		
Cash and investments		
Future bond debt service	35,390,010	33,824,151
Operations and maintenance	8,739,954	7,563,710
Renewal and replacement	21,160,870	25,720,896
Water rate stabilization	500,000	500,000
	65,790,834	67,608,757
Noncurrent assets		
Capital assets, not depreciated	147,064,145	123,234,464
Capital assets, depreciated	783,728,106	782,339,301
Prepaid bond insurance and other assets	1,013,985	1,448,867
	931,806,236	907,022,632
Total noncurrent assets	997,597,070	974,631,389
Total assets	1,135,074,667	1,127,263,462
Deferred Outflow of Resources		
Deferred amount on bond refundings	3,053,052	5,470,546
Deferred amount on net pension liability	7,156,688	3,768,872
Total deferred outflow of resources	10,209,740	9,239,418
Total Assets and Deferred Outflow of Resources	$1,145,284,407	$1,136,502,880

	2016	2015
Liabilities		
Current liabilities payable from unrestricted current assets		
Accounts payable	$ 2,909,126	$ 4,429,632
Contracts and retention payable	2,185,872	2,492,543
Accrued liabilities	4,000,137	3,954,938
Due to other governments	2,137,679	2,866,886
Accrued interest payable	315,707	248,179
Current portion of long-term debt	89,414,845	96,348,107
Customer deposits and amounts due to developers	2,757,239	2,806,156
	103,720,605	113,146,441
Current liabilities payable from restricted current assets		
Current portion of long-term debt	12,620,000	11,220,000
Interest payable	6,775,405	9,455,394
	19,395,405	20,675,394
Total current liabilities	123,116,010	133,821,835
Noncurrent liabilities		
Net pension liability	26,869,406	22,293,306
Long-term debt, net of current portion	406,696,538	410,764,241
Total noncurrent liabilities	433,565,944	433,057,547
Total liabilities	556,681,954	566,879,382
Deferred Inflow of Resources		
Deferred amount on net pension liability	3,486,191	5,749,364
Deferred amount on bond refundings	133,948	-
Total deferred inflows of resources	3,620,139	5,749,364
Total liabilities and deferred inflow of resources	560,302,093	572,628,746
Net Position		
Net investment in capital assets	478,543,111	444,402,572
Restricted for water meter retrofit program	2,084,980	1,754,197
Restricted for debt service	12,620,000	11,220,000
Restricted for operations and maintenance reserve	4,139,954	2,963,710
Restricted for renewal and replacement reserve	21,160,870	25,720,896
Restricted for water rate stabilization	500,000	500,000
Unrestricted	65,933,399	77,312,759
Total net position	584,982,314	563,874,134
Total Liabilities, Deferred Inflow of Resources and Net Position	$1,145,284,407	$1,136,502,880

	2016	2015
Operating Revenues		
Charges for water sales	$ 87,534,332	$ 86,186,698
Hydroelectric sales	1,175,195	1,366,786
Other operating sales	3,219,416	2,475,832
Total operating revenues	91,928,943	90,029,316
Operating Expenses		
Salaries and wages	16,541,811	13,763,006
Employee benefits	6,364,279	5,271,735
Services and supplies	25,575,227	23,180,670
Total operating expenses before depreciation	48,481,317	42,215,411
Depreciation	32,134,190	27,899,449
Total operating expenses	80,615,507	70,114,860
Operating Income	11,313,436	19,914,456
Nonoperating Revenues (Expenses)		
Investment earnings	6,737,745	2,127,009
Net increase in fair value of investments	80,042	15,970
Gain (loss) on disposal of assets	6,460,373	(653,698)
Amortization of bond/note issuance costs	(1,219,746)	(1,004,685)
Interest expense	(21,549,864)	(21,281,117)
Other nonoperating revenue	-	300,000
Other nonoperating expense	-	(3,029,859)
Total nonoperating revenues (expenses)	(9,491,450)	(23,526,380)
Gain (Loss) before Capital Contributions	1,821,986	(3,611,924)
Capital Contributions		
Grants	224,138	276,260
Water meter retrofit program	482,081	1,013,896
Developer infrastructure contributions	8,454,980	2,703,092
Developer will-serve contributions (net of refunds)	4,363,692	1,864,446
Developer capital contributions-other	2,473,163	1,588,158
Developer facility charges (net of refunds)	2,931,940	2,494,434
Contributions from others	356,200	9,698,535
Net capital contributions	19,286,194	19,638,821
Special Item		
Washoe County Water Utility Transfer of Operations	-	231,516,024
Change in Net Position	21,108,180	247,542,921
Net Position, Beginning of Year	563,874,134	316,331,213
Net Position, End of Year	$ 584,982,314	$ 563,874,134

	2016	2015
Operating Activities		
Cash received from customers	$ 90,753,299	$ 88,890,996
Cash paid to employees	(24,132,183)	(18,951,287)
Cash paid to suppliers	(26,198,864)	(21,137,019)
Net Cash from Operating Activities	40,422,252	48,802,690
Capital and Related Financing Activities		
Acquisition and construction of capital assets	(49,416,333)	(25,350,434)
Interest paid on financing	(18,904,799)	(19,166,395)
Principal paid on financing	(12,568,107)	(13,071,845)
Proceeds from refunding bonds	149,354,337	33,290,154
Issuance of commercial paper notes	-	27,000,000
Redemption of commercial paper notes	(7,200,000)	-
Proceeds transferred to refunding escrow	(151,026,620)	(61,190,336)
Proceeds from capital debt issuance	8,239,034	-
Proceeds from capital asset disposal	6,460,373	13,945
Contributions for water meter retrofit program	482,081	1,013,896
Contributions from developers-will-serve letters	4,363,692	1,864,446
Contributions from developers-other	2,473,163	1,588,158
Contributions from developers-facility charges	2,931,940	2,494,434
Contributions from others	356,200	9,698,535
Grants	253,131	547,296
Bond/note issuance costs	(1,298,798)	(876,615)
Net Cash used for Capital and Related Financing Activities	(65,500,706)	(42,144,761)
Investing Activities		
Cash received in connection with WCWU transfer of operations	9,678,076	33,682,594
Cash received from STMGID subsequent to merger	162,770	-
Verdi business park receivable	-	(635,000)
Payments received on verdi business park receivable	22,244	55,873
Interest received	7,233,417	2,634,410
Net Cash from Investing Activities	17,096,507	35,737,877
Net Change in Cash and Cash Equivalents	(7,981,947)	42,395,806
Cash and Cash Equivalents, Beginning of Year (including $90,038,348 in restricted accounts)	195,017,850	152,622,044
Cash and Cash Equivalents, End of Year (including $87,271,219 in restricted accounts)	$ 187,035,903	$ 195,017,850

	2016	2015
Reconciliation of Operating Income to Net Cash		
from Operating Activities		
Operating income	$ 11,313,436	$ 19,914,456
Adjustments to reconcile operating income		
to net cash from operating activities		
Depreciation	32,134,190	27,899,449
Other nonoperating revenues	-	480,000
Other nonoperating expenses	-	(3,029,858)
Pension expense	3,459,922	2,944,177
Pension contributions	(4,534,811)	(3,629,441)
Changes in assets and liabilities		
Accounts receivable, net	(964,744)	(278,840)
Due from others	(294,389)	385,003
Due from other governments	132,406	106,812
Prepaid assets	(62,219)	(312,738)
Accounts payable	(738,224)	2,889,250
Accrued liabilities	45,199	954,956
Due to customers and developers	(48,917)	155,677
Due to other governments	(19,597)	323,787
Total adjustments	29,108,816	28,888,234
Net Cash from Operating Activities	$ 40,422,252	$ 48,802,690
Non-Cash Capital and Related Financing Activities		
Developer infrastructure contributions	$ 8,454,980	$ 2,703,092
Amortization of bond insurance expenses	417,757	60,555
Amortization of net bond premium	(486,796)	(625,608)
Amortization of refunding allowances to interest expense	2,735,233	3,006,885
Supplemental Cash Flows Information		
Capitalization of interest expense	486,001	269,461
Capitalization of interest revenue	165,059	85,885
Net capital assets from WCWU transfer of operations	-	225,193,242
Net capital assets from STMGID merger	-	12,746,685
Developer obligations assumed from WCWU transfer of operations	-	1,137,887

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity and Purpose

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

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

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

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

Basis of Accounting

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

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

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

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

Budgets and Budgetary Accounting

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

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

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the year ended June 30, 2016 and 2015. This presentation for fiscal years 2016 and 2015 is included as Supplementary Information. The presentation for fiscal year 2015 reflects the transfer of operations and merger of the aforementioned water utilities with TMWA as the continuing water utility.

Cash and Investments

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

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

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

Cash Equivalents

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

Accounts Receivable

Accounts receivable is comprised of amounts due from TMWA's customers, net of an allowance for uncollectible accounts. Amounts due from TMWA customers are comprised of amounts billed and an estimate of amounts earned but unbilled for water deliveries prior to fiscal year end.

Restricted Assets

Certain proceeds of TMWA's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Position because their use is limited by applicable bond covenants as follows:

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

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

Prepaid Items

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Compensated Absences

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

Classification of Revenues

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

Implementation of GASB Statement No. 72

As of July 1, 2015, TMWA adopted GASB Statement No. 72, *Fair Value Measurement and Application.* The implementation of these standards requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments are required to organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). Disclosures required by this standard are included in Note 4.

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

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

Note 3 - Accounts Receivable, Net

Accounts receivable, net consisted of the following:

	June 30, 2016	June 30, 2015
Billed amounts	$ 5,142,543	$ 5,073,689
Earned, but unbilled amounts	8,675,516	7,807,431
	13,818,059	12,881,120
Allowance for uncollectibles	(237,078)	(264,883)
Accounts receivable, net	$ 13,580,981	$ 12,616,237

Note 4 - Cash and Investments

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2016, the carrying amount of TMWA's deposits of $1,564,692 was greater than the respective bank balance of $963,018 by $601,674. At June 30, 2015, the carrying amount of TMWA's deposits of $1,301,581 was greater than the respective bank balance of $1,286,447 by $15,134. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

As of June 30, 2016, TMWA had the following investments and maturities:

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	$ 2,156,094	$ -	$ 2,156,094
U.S. Agencies	43,470,850	21,664,724	65,135,574
Guaranteed Investment Contracts	29,752,798	-	29,752,798
LGIP	3,219,035	-	3,219,035
Money Market Mutual Funds	67,793,723	-	67,793,723
Corporate Notes	2,376,328	15,021,300	17,397,628
	$ 148,768,828	$ 36,686,023	$ 185,454,851

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

	Less than 1 Year	1 - 3 Years	Total
Investments			
U.S. Treasuries	$ 11,785,441	$ 2,203,555	$ 13,988,996
U.S. Agencies	19,976,476	50,729,618	70,706,094
Guaranteed Investment Contracts	34,356,465	-	34,356,465
LGIP	1,710,247	-	1,710,247
Money Market Mutual Funds	54,079,628	-	54,079,628
Corporate Notes	13,875,124	-	13,875,124
Corporate Commercial Paper	4,999,500	-	4,999,500
	$ 140,782,881	$ 52,933,173	$ 193,716,054

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agencies securities; "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a debt reserve fund with LGIP, which is an unrated external investment pool with investment duration of 142 days at June 30, 2016, and 108 days at June 30, 2015. 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, 2016 and 2015, the following investments by issuer, exceeded 5% of TMWA's total investments:

	June 30, 2016	
Federal Home Loan Bank	$ 28,229,498	15.09%
Bank of America Guaranteed Investment Contract	29,752,798	15.91%
Federal National Mortgage Association	13,912,523	7.44%

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

Investments Measured at Fair Value

TMWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs. TMWA does not have any investments that are measured using level 3 inputs.

TMWA has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using	
	Fair Value June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 2,156,094	$ 2,156,094	$ -
U.S. Agencies	65,135,574	-	65,135,574
LGIP	3,219,035	-	3,219,035
Money Market Mutual Funds	67,793,723	67,793,723	-
Corporate Notes	17,397,628	-	17,397,628
	$ 155,702,054	$ 69,949,817	$ 85,752,237

TMWA has the following recurring fair value measurements as of June 30, 2015:

		Fair Value Measurements Using	
	Fair Value June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level			
U.S. Treasuries	$ 13,988,996	$ 13,988,996	$ -
U.S. Agencies	70,706,094	-	70,706,094
LGIP	1,710,247	-	1,710,247
Money Market Mutual Funds	54,079,628	54,079,628	-
Corporate Notes	13,875,124	-	13,875,124
Corporate Commercial Paper	4,999,500	-	4,999,500
	$ 159,359,589	$ 68,068,624	$ 91,290,965

The following is a description of the valuation methodologies used by TMWA for its Level 2 assets:

US agencies – Valued using matrix pricing and market corroborated pricing models.

Corporate notes and commercial paper – Valued based on cash flow models that maximize the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issues with similar credit ratings.

LGIP are State of Nevada Local Government Investment Pool in which TMWA is a voluntary participant. LGIP has regulatory oversight from the Board of Finance of the State of Nevada. TMWA's investment in the LGIP is equal to its original investment plus monthly allocation of interest income, and realized and unrealized gains and losses, which is the same as the value of the pool shares. Fair value is determined based on the observable market prices of the underlying assets held by the pool less its liabilities.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2016 follows:

	Beginning Balances	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Construction in progress	$ 11,419,506	$ 30,051,945	$ (23,804,488)	$ 17,666,963
Land	19,686,804	134,947	(391)	19,821,360
Water rights	92,128,154	17,448,241	(573)	109,575,822
Total capital assets, not being depreciated	123,234,464	47,635,133	(23,805,452)	147,064,145
Capital assets, being depreciated				
Distribution mains	477,529,680	10,761,079	(192,293)	488,098,466
Water treatment (plants)	179,849,523	2,232,703	(9,252)	182,072,974
Services	134,919,335	3,636,147	(36,602)	138,518,880
Pump stations	61,382,245	2,856,539	(259,470)	63,979,314
Treated water storage (tanks)	85,293,141	5,270,228	(990,888)	89,572,481
Wells	62,507,165	2,273,706	(157,966)	64,622,905
Pressure regulating stations	8,671,021	175,116	-	8,846,137
Canals	40,087,788	602,016	-	40,689,804
Reservoirs	13,434,262	5,130,513	-	18,564,775
Vehicles	4,007,826	1,619,662	(637,871)	4,989,617
Furniture and fixtures	603,066	17,268	(17,268)	603,066
Computer hardware and software	2,405,854	269,963	(101,126)	2,574,691
Lab equipment	197,578	-	-	197,578
Hydroelectric facilities	24,804,788	185,208	-	24,989,996
Administrative buildings	12,042,500	677,935	-	12,720,435
Total capital assets, being depreciated	1,107,735,771	35,708,083	(2,402,735)	1,141,041,118
Less accumulated depreciation:				
Distribution mains	(92,169,125)	(9,048,671)	-	(101,217,796)
Water treatment (plants)	(68,919,145)	(5,686,918)	-	(74,606,063)
Services	(78,131,960)	(7,217,854)	-	(85,349,814)
Pump stations	(15,868,711)	(2,002,930)	198,647	(17,672,994)
Treated water storage (tanks)	(21,043,199)	(2,081,357)	-	(23,124,556)
Wells	(24,849,481)	(2,378,421)	-	(27,227,902)
Pressure regulating stations	(4,998,801)	(404,577)	-	(5,403,378)
Canals	(7,514,604)	(956,872)	-	(8,471,476)
Reservoirs	(4,634,181)	(534,313)	-	(5,168,494)
Vehicles	(1,740,904)	(449,705)	-	(2,190,609)
Furniture and fixtures	(324,746)	(73,530)	-	(398,276)
Computer hardware and software	(808,744)	(464,100)	19,000	(1,253,844)
Lab equipment	(42,802)	(34,394)	-	(77,197)
Hydroelectric facilities	(2,556,391)	(505,594)	-	(3,061,985)
Administrative buildings	(1,793,675)	(294,953)	-	(2,088,627)
Total accumulated depreciaton	(325,396,470)	(32,134,190)	217,647	(357,313,012)
Total capital assets, being depreciated, net	782,339,301	3,573,893	(2,185,088)	783,728,106
Total Capital Assets, Net	$ 905,573,765	$ 51,209,027	$ (25,990,541)	$ 930,792,251

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

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

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 2006 Refunding Bonds, 2007 Refunding Bonds, 2010 Refunding Bonds 2015A Refunding Bonds, and 2016 Refunding Bonds, as well as to any future senior lien bonds.

On November 15, 2005, TMWA issued $40,000,000 in Series 2005A water revenue bonds which constitute special limited obligations of TMWA. The principal and interest are payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The bonds do not constitute a general obligation of TMWA, and do not constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years. On May 14, 2015, $33,050,000 of the bonds were refunded with the Series 2015A Refunding Bonds (see below) on a current basis, with the remaining balance of $890,000 paid on July 1, 2015.

On May 3, 2006, TMWA issued $150,745,000 in Series 2006 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund $145,970,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds were considered to be defeased and the liability was removed from TMWA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $5,901,299. The unamortized balance is being amortized as a component of interest expense over the remaining life of the newly issued debt, which has a shorter remaining life than the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 27 years by $10,016,065 and resulted in an economic gain of $5,152,424. The funds in the irrevocable trust were distributed to 2001A bondholders as of July 1, 2011, the call date of the 2001A Bonds. On April 12, 2016, $148,015,000 of the bonds were refunded with the Series 2016 Refunding Bonds (see below) on a current basis, with the remaining balance $400,000 payable on July 1, 2016.

On August 15, 2006, TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that originally authorized the issuance of up to $160,000,000 in TECP notes. After $11,400,000 of redemptions, total authorized issuance stands at $148,600,000 in TECP notes. Of the total authorization, TMWA has outstanding $87,800,000 as of June 30, 2016 and $95,000,000 as of June 30, 2015. The first draw was on August 16, 2006 for $30,000,000, a second draw was on December 5, 2006 for $13,000,000, a third draw was made on February 15, 2008 for $25,000,000, and a fourth draw was made on June 28, 2011 for $11,400,000, for a total issuance of $79,400,000. TMWA redeemed the $11,400,000 issued in the fourth draw on December 10, 2012 and issued a fifth draw for $27,000,000 on December 17, 2014. TMWA has remaining authorization to issue $53.6 million as of June 30, 2016 and 2015, respectively. The proceeds from the first two draws were used solely to purchase water rights for future sale of will-serve commitments to developers. The third draw was to fund certain construction projects on an interim basis; the fourth draw was for the purpose of redeeming the remaining outstanding Series 2001A Bonds which were callable on July 1, 2011. The fifth draw was to refund, on an advanced basis, $26,100,000 in Washoe County water obligations to effect the water utility consolidation between Washoe County and TMWA with proceeds transferred to escrow on the date of issuance. The TECP program is facilitated by a direct pay letter of credit (Liquidity Facility) between TMWA and the Bank of Tokyo-Mitsubishi UFJ. The stated amount of the

Liquidity Facility is $103,432,878. The average interest rate on the outstanding balance of TECP as of June 30, 2016 was 0.48% and June 30, 2015 was 0.11%. As of June 30, 2016 the total TECP notes outstanding were comprised of 6 tranches ranging from $6,150,000 to $23,150,000 with maturities ranging from 30 to 129 days. As of June 30, 2015 the total TECP notes outstanding were comprised of 5 tranches ranging from $6,750,000 to $34,000,000 with maturities ranging from 93 and 180 days.

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

On July 25, 2009, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to partially fund TMWA's Mogul Bypass Siphon Project. The loan was provided through the American Recovery and Reinvestment Act (ARRA) stimulus funding provided by the federal government. TMWA made draws on this contract as construction proceeded, totaling $2,309,945. An additional draw was made in fiscal year 2011 for $91,175 which brought the total draws on the loan balance to $2,401,120. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

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

On February 11, 2010, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Glendale Water Treatment Plant Diversion Project. Total construction costs for the Glendale Diversion Project were less than expected. Consequently TMWA requested and was granted that the remaining loan authorization be able to fund final improvements on the Highland Canal. During fiscal year 2013, the loan was finalized in the total amount of $4,381,614. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water

System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

In connection with the transfer of operations to TMWA of the Washoe County Water utility during fiscal year 2015, TMWA assumed the Washoe County 2005 Water Bond obligation of $26,100,000. Upon transfer of the obligation, TMWA refunded the 2005 Washoe County Water bonds in an advance refunding utilizing TMWA's Tax-Exempt Commercial Paper Program. As discussed above, $27,000,000 in commercial paper was issued by TMWA, the proceeds of which were placed in irrevocable trust for the future debt service payments on the Washoe County 2005 Water bonds. Accordingly, the refunded bonds are considered defeased and the liability has been removed from TWMA's Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $728,084. The unamortized balance is being amortized as a component of interest expense over the original life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 16 years and resulted in an economic gain of $19,525,248. The funds in the irrevocable trust were $0 on June 30, 2016 and $27,357,502 on June 30, 2015.

On December 31, 2014, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) the 2014 DWSRF Loan, to transfer the remaining loan balance of the Washoe County Water Utility 2005 DWSRF loan to TMWA. The loan contract was entered into by the Washoe County Water Utility to construct the Longley Lane Water Treatment Facility, a facility that was transferred to TMWA as a result of the water utility transfer of operations during fiscal year 2015. The loan balance of $9,109,437 was transferred to TMWA under the same terms that existed with Washoe County as the TMWA 2014 DWSRF loan. The original balance of the loan was $14,162,268. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues, derived from the operation of the Water System. This loan has remaining term of 10 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

On April 14, 2015, TMWA issued $28,750,000 in Series 2015A Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund on a current basis $33,050,000 in maturities of the Series 2005A Bonds. The proceeds of the refunding bond issue were placed in an irrevocable trust for the purpose of generating financial resources to defease that callable portion of the Series 2005A Bonds. The Series 2005A refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statement of Net Position. The net carrying amount of the old debt exceeded the reacquisition price by $140,645. The unamortized balance is being amortized as a component of interest income over the remaining life of the old and new debt, which has the same remaining life. This advance refunding was undertaken to reduce total debt service payments over approximately 21 years by $6,563,813 and resulted in an economic gain of $4,575,309. The funds held in the irrevocable trust were $0 and $33,832,834 at June 30, 2016 and 2015, respectively.

On July 30, 2015, TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) the 2015B DWSRF Loan, to fund TMWA's surface and groundwater supplies in the North Valleys particularly the Stead area, Lemmon Valley area, and North Virginia Corridor. Total amount authorized was $15,000,000. Total construction costs are expected to be $9,135,000. By June 30, 2016, a total of $8,239,034 have been drawn and used. The loan will be finalized in fiscal year 2017. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan are payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2007 Refunding Bonds, the 2015A Refunding Bonds, and the 2016 Refunding Bonds as well as future senior lien bonds.

On April 12, 2016, TMWA issued $124,790,000 in Series 2016 Water Revenue Refunding Bonds, which constitute special limited obligations of TMWA. These bonds were sold to refund $148,015,000 in maturities of the Series 2006 Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2006 Bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from TMWA's Statements of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by $3,092,808. The unamortized balance is being amortized as a component of interest expense over the original life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over 22 years by $4,332,501, and resulted in an economic gain of $15,025,124. The funds in the irrevocable trust were distributed to 2006 bondholders as of July 1, 2016, the call date of the 2006 Bonds.

The following schedules summarize the changes in long-term obligations as of June 30, 2016:

	Final Maturity Date	Authorized	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due in 2016-2017
Supported by User Charges:							
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	1/1/2025	$ 4,669,565	$ 2,860,578	$ -	$ 246,834	$ 2,613,744	$ 254,810
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	890,000	-	890,000	-	-
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	148,415,000	-	148,015,000	400,000	400,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	214,800,000	-	510,000	214,290,000	11,390,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	1,793,196	-	123,669	1,669,527	123,669
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	9,435,000	-	9,435,000	-	-
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	1/1/2030	4,381,614	3,981,798	-	209,785	3,772,013	216,659
2014 Water Revenue DWSRF (Tax Exempt) Bonds 2.82%	1/1/2025	9,109,437	8,733,487	-	767,820	7,965,667	789,547
2015-A Water Revenue (Tax Exempt) Refunding Bonds 2.00%-5.00%	7/1/2036	28,750,000	28,750,000	-	-	28,750,000	830,000
2015-B Water Revenue DWSRF (Tax Exempt) Bonds 2.62%	1/1/2035	15,000,000	-	8,239,034	-	8,239,034	230,150
2016 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	1/1/2025	124,790,000	-	124,790,000	-	124,790,000	-
Subtotal		627,061,736	419,659,059	133,029,034	160,198,108	392,489,985	14,234,835
Plus unamortized net bond premium			3,673,290	24,564,337	203,772	28,441,399	
Total debt before tax exempt commercial paper			423,332,349	108,464,697	160,401,880	420,931,384	
TMWA Tax-Exempt Commercial Paper		148,600,000	95,000,000	-	7,200,000	87,800,000	87,800,000
Total Debt		$ 775,661,736	$ 518,332,349	$108,464,697	$ 167,601,880	$ 508,731,384	$ 102,034,835

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

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

[1] TMWA issued $27.0 million in tax-exempt commercial paper notes to defease $26.1 million in Washoe County water obligations as a result of the water utility merger

[2] TMWA assumed the remaining balance of $9.1 million in Washoe county DWSRF Water obligations as a result of the water utility merger

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

Year Ending June 30,	Principal Payment	Interest Payment	Total Debt Service
2017	$ 102,034,845	$ 15,641,782	$ 117,676,627
2018	3,027,521	17,019,896	20,047,417
2019	3,381,970	16,917,930	20,299,900
2020	3,350,676	16,807,223	20,157,899
2021	17,605,814	16,403,854	34,009,668
2022-2026	96,954,899	70,419,307	167,374,206
2027-2031	114,951,284	47,704,460	162,655,744
2032-2036	120,545,468	18,086,773	138,632,241
2037-2038	18,437,508	868,064	19,305,572
Total	$ 480,289,985	$ 219,869,289	$ 700,159,274

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

Note 7 - Net Position

Restricted Net Position

TMWA records the following restrictions of net position:

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

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

Restricted in accordance with the STMGID merger agreement: The merger agreement with STMGID required that certain funds transferred to TMWA by STMGID may only be used for three purposes: a) payment of contingent liabilities b) construction of facilities to move surface water into the STMGID water utility, and replacement, rehabilitation and/or repair of the STMGID facilities. The restricted amount of $11,160,870 and $15,720,896 as of June 30, 2016 and 2015, respectively, is included in the amount restricted for renewal and replacement.

Board Designation

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

Note 8 - Contingent Liabilities

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

Boca Dam and Reservoir: The Truckee Storage Project was constructed to provide a supplemental supply of irrigation water to approximately 29,000 acres of land in the Truckee Meadows surrounding Reno and Sparks, Nevada. Boca Dam and Reservoir (the "Boca Dam"), the major feature of the Truckee Storage Project, was constructed by the United States and is operated by the Washoe County Water Conservation District (the "Conservation District"). As part of the Safety of Dams retrofit being conducted by the Bureau of Reclamation (the "BOR"), the BOR is currently working on conceptual designs for a seismic retrofit project at the base of Boca Dam. Under the safety of dams act, the beneficiary of the authorized purposes of the structure must pay 15% of the reimbursable project cost. Given the complexities of TROA and other matters which complicate identifying who is the beneficiary of the authorized purposes of the structures, the Conservation District is in negotiations with the BOR as to how that 15% will be allocated between irrigation and municipal uses and among beneficiaries of the structure. Cost allocation issues have yet to be resolved. Based upon information received by the Authority, BOR is estimating that the reimbursable project costs may be in the range of $4.5 million, and that 100% of such costs will be allocated to the Conservation District and assessed to payors of the Conservation District. The Authority currently expects its portion of assessments from the Conservation District for Safety of Dams expenditures may range from $0.6 million to above $2.8 million based on cost estimates at this time. As of August 30, 2016, the BOR had spent approximately $5.3 million in design and engineering costs on the project.

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

Note 9 - Risk Management

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

Note 10 - Pensions and Other Employee Benefits

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

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

Vesting

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

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

Contributions

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

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

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

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

For the fiscal year ended June 30, 2015 and June 30, 2016 the Statutory Employer/employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 28% and 25.75% for fiscal years June 30, 2016 and 2015, respectively.

TMWA's contributions were $4,534,811 and $3,629,411 for the years ended June 30, 2016 and 2015, respectively.

PERS Investment Policy

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

The following was the PERS Board adopted policy target asset allocation as of June 30, 2015 and 2014:

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

As of June 30, 2015 and 2014, PERS' long-term inflation assumption was 3.5%.

Net Pension Liability

At June 30, 2016, TMWA reported a liability for its proportionate share of the net pension liability of $26,869,406. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, TMWA reported a liability for its proportionate share of the net pension liability of $22,293,306. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's proportion of the net pension liability was based on TMWA's share of contributions in PERS pension plan relative to the total contributions of all participating PERS employers and members. At June 30, 2015 and 2014, TMWA's proportion was .2351 and .2139 percent, respectively.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of TMWA as of June 30, 2015 and 2014, calculated using the discount rate of 8.00%, as well as what TMWA's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

	1% Decrease in Discount Rate (7.00%)	Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability, June 30, 2015	$ 41,058,088	$ 26,869,406	$ 15,208,145
Net Pension Liability, June 30, 2014	34,669,529	22,293,306	12,006,345

Pension Plan Fiduciary Net Position

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

Actuarial Assumptions

TMWA's June 30, 2016 net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. TMWA's June 30, 2015 net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2015	June 30, 2014
Inflation Rate	3.50%	3.50%
Payroll Growth	5.00% including inflation	5.00% including inflation
Investment Rate of Return	8.00%	8.00%
Productivity Pay Increase	0.75%	0.75%
Projected Salary Increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases	4.60% to 9.75%, depending on service. Rates include inflation and productivity increases
Consumer Price Index	3.50%	3.50%
Other Assumptions	Same as those used in the June 30, 2014 funding actuarial valuation	Same as those used in the June 30, 2013 funding actuarial valuation

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

Actuarial assumptions used in the June 30, 2015 and 2014 valuations were based on the results of the experience review completed in 2013.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015 and June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2015 and 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and June 30, 2014.

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

For the year ended June 30, 2016, TMWA recognized pension expense of $3,459,922. At June 30, 2016, TMWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,026,696
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,459,495
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	2,621,877	-
TMWA contributions subsequent to the measurement date	4,534,811	-
	$ 7,156,688	$ 3,486,191

$4,534,811 reported as deferred outflows of resources related to pensions resulting from TMWA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

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

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

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

The average of the expected remaining service lives of all employees that are provided with pensions through PERS (active and inactive employees) determined at July 1, 2014 (the beginning of the measurement period ended June 30, 2015) is 6.55 years.

Other estimated amounts reported by TMWA as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2016 will be recognized in pension expense as follows:

Year Ending June 30:	
2017	$ (607,090)
2018	(607,090)
2019	(607,090)
2020	679,683
2021	133,858
Thereafter	143,415

Additional Information

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

Deferred Compensation Plans

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, all employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. As of June 30, 2016 TMWA had matching contributions totaling $1,007,308, and $830,391 as of June 30, 2015.

Other Post-Employment Benefit Plans (OPEB)

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

§501-c-9 Plan

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

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

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group of represented employees will receive a subsidy as a percentage of the total health premium, dependent upon years of service and age of retirement, with a maximum subsidy of 85% with 20 years of credited service. Employees with 20 or more years of service electing the Medicare Risk Contract would pay nothing towards health premiums. For this group dependents are also covered. The post-December 31, 1997 group of represented employees will receive a total subsidy of $1,250 times years of service towards health care premiums. This amount does not grow with interest and once exhausted a retiree may convert to COBRA, but only for the 18 month continuation period. For MPAT employees, the annual subsidy is $235 times years of service, up to 30 years, prorated for each month of retirement while under the age of 65. On or after the age of 65, the subsidy is $105 times years of service prorated for each month of retirement while age 65 and older. If an MPAT employee retires and draws benefits before age 62, the subsidy is reduced by 5% for each full year retirement precedes 62. There is no extra subsidy for spousal or dependent coverage except continuation benefits provided for under COBRA. Retirees are responsible for the remaining portion of premiums.

The number of active participants and retirees as of July 1, 2014, the effective date of the OPEB valuation was 153 and 23, respectively. As of June 30, 2016 and 2015 there were 29 and 26 retirees, respectively, 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:

Fiscal Year Ended June 30	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 244,429	$ 244,429	100%	$ -
2015	244,429	244,429	100%	-
2014	216,956	216,956	100%	-

The net OPEB obligation as of June 30, 2016 and 2015 was calculated as follows:

	2016	2015
Normal cost	$ 303,827	$ 303,827
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	(59,398)	(59,398)
Annual OPEB Cost (ARC)	244,429	244,429
Total Contributions	(244,429)	(244,429)
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
Net OPEB Obligation, End of Year	$ -	$ -

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

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

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

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

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

§115 Plan

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

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

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

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

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

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

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

The number of active participants and retirees as of January 1, 2015, the effective date of the OPEB valuation was 22 and 0. As of June 30, 2016 and 2015 there were no retirees receiving benefits from the Plan.

The net OPEB obligation as of June 30, 2016 and 2015 was calculated as follows:

	2016	2015
Normal cost	$ 45,592	$ 45,592
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	29,997	29,997
Annual OPEB Cost (ARC)	75,589	75,589
Total Contributions	(75,589)	(75,589)
Change in net OPEB obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
Net OPEB Obligation, End of Year	$ -	$ -

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (January 1, 2015) was as follows:

Actuarial Accrued Liability (AAL) (a)	$ 1,357,972
Actuarial Value of Plan Assets (b)	546,873
Unfunded Actuarial Accrued Liability (UAAL) (a-b)	$ 811,099
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b/a)	40.27%
Covered Payroll (c)	$ 1,612,906
UAAL as a Percentage of Covered Payroll [(a-b)]/(c)	50.29%

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

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

Note 11 - Commitments

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

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2016 as a contribution in fiscal year 2016 to the Truckee River Fund of the Community Foundation of Western Nevada, for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

Required Supplementary Information

Truckee Meadows Water Authority

Plan	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded Actuarial Accrued Liability (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll [(a-b)/c]
501c9 Plan	July 1, 2014	$ 8,196,010	$ 8,443,923	$ (247,913)	103.02%	$12,941,448	-1.92%
115 Plan	January 1, 2015	1,357,972	546,873	811,099	40.27%	1,612,906	50.29%
		$ 9,553,982	$ 8,990,796	$ 563,186	94.11%	$14,554,354	3.87%
501c9 Plan	July 1, 2012	$ 6,228,631	$ 6,181,506	$ 47,125	99.24%	$11,618,408	0.41%
501c9 Plan	March 1, 2010	$ 4,615,337	$ 4,967,671	$ (352,334)	107.63%	$11,738,368	-3.00%

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

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

Schedule of TMWA’s Share of Net Pension Liability
Public Employees’ Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2015	2014
TMWA's portion of net the pension liability	0.2345%	0.2139%
TMWA's proportionate share of the net pension liability	$ 26,869,406	$ 22,293,306
TMWA's covered-employee payroll	$ 14,077,995	$ 12,573,558
TMWA's proportional share of the net pension liability as a percentage of its covered-employee payroll	190.86%	177.30%
Plan fiduciary net position as a percentage of the total pension liability	75.13%	76.30%

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

Schedule of TMWA Contributions
Public Employees' Retirement System of Nevada (PERS)
Last Ten Fiscal Years*

	2016	2015
Statutorily required contribution	$ 4,534,811	$ 3,629,441
Contributions in relation to the statutorily required contribution	$ 4,534,811	$ 3,629,441
Contribution (deficiency) excess	$ -	$ -
Employer's covered-employee payroll	$ 16,314,669	$ 14,077,995
Contributions as a percentage of covered-employee payroll	27.80%	25.78%

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

Supplementary Information
June 30, 2016 and 2015

Truckee Meadows Water Authority

	Final Budget	Actual	Variance
Operating Revenues			
Charges for water sales	$ 88,328,024	$ 87,534,332	$ (793,692)
Hydroelectric sales	945,552	1,175,195	229,643
Other operating sales	2,580,867	3,219,416	638,549
Total operating revenues	91,854,443	91,928,943	74,500
Operating Expenses			
Salaries and wages	16,609,056	16,541,811	67,245
Employee benefits	8,164,236	6,364,279	1,799,957
Services and supplies	27,666,431	25,575,227	2,091,204
Total operating expenses before depreciation	52,439,723	48,481,317	3,958,406
Depreciation	33,207,312	32,134,190	1,073,122
Total operating expenses	85,647,035	80,615,507	5,031,528
Operating Income	6,207,408	11,313,436	5,106,028
Nonoperating Revenues (Expenses)			
Investment earnings	2,357,604	6,737,745	4,380,141
Net change in fair value of investments	-	80,042	80,042
Gain (loss) on disposal of assets	(625,000)	6,460,373	7,085,373
Bond/note issue costs and amortization of bond insurance	(1,105,128)	(1,219,746)	(114,618)
Interest expense	(21,191,268)	(21,549,864)	(358,596)
Total nonoperating revenues (expenses)	(20,563,792)	(9,491,450)	11,072,342
Income (Loss) before Capital Contributions	(14,356,384)	1,821,986	16,178,370
Capital Contributions			
Grants	-	224,138	224,138
Water meter retrofit program	540,684	482,081	(58,603)
Developer infrastructure contributions	-	8,454,980	8,454,980
Developer will-serve contributions (net of refunds)	1,152,288	4,363,692	3,211,404
Developer capital contributions-other	906,612	2,473,163	1,566,551
Developer facility charges (net of refunds)	1,505,652	2,931,940	1,426,288
Contributions from others	6,995,000	356,200	(6,638,800)
Net capital contributions	11,100,236	19,286,194	8,185,958
Change in Net Position	$ (3,256,148)	21,108,180	$ 24,364,328
Net Position, Beginning of Year		563,874,134	
Net Position, End of Year		$ 584,982,314	

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

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

The following summary describes certain provisions of the Bond Resolution and is qualified in its entirety by reference to the document itself for a full statement of its provisions. Investors should obtain and review a copy of the entire Bond Resolution in order to ascertain the full provisions of the Bond Resolution. Copies of the Bond Resolution may be obtained from the sources listed in "INTRODUCTION--Additional Information." ***The following summary of the Bond Resolution contains provisions related to a Bond Reserve Account. When all of the 2007 Bonds are refunded with the net proceeds of the Bonds on the closing date of the Bonds, the provisions of the Bond Resolution related to the Bond Reserve Account will become inoperative.***

Certain Definitions

"Bond Fund" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System Parity Revenue Securities, Bond Fund," continued in the Bond Resolution. The Bond Fund consists of 3 separate subaccounts, the Interest Account, the Principal Account and the Bond Reserve Account.

"Bond Requirements" means the principal of, any prior redemption premiums due in connection with, and the interest on the Bonds and any additional bonds or other additional securities payable from Pledged Revenues and heretofore or hereafter issued, if any, or such part of such securities or such other securities pertaining to the Water System as may be designated, as such principal, any such premiums, and such interest become due. "Bond Requirements" does not include any capitalized interest on bonds payable from the proceeds of those bonds as designed by the Chief Financial Officer.

For purposes of computing the Bond Requirements of variable interest rate parity securities with respect to which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the Authority to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the Authority pursuant to the Qualified Swap, or (b) for purposes of computing combined average annual principal and interest requirements for the Bond Reserve Account, for purposes of computing the maximum annual principal and interest requirements, and for purposes of any other computation for the issuance of additional parity securities (including refunding securities) shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under the Bond Resolution shall take into account payments due the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no parity securities remain Outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of Outstanding parity securities to which such Qualified Swap relates, (a) for purposes of Article 5 of the Bond Resolution (related to the Administration of and Accounting for Pledged Revenues, see "SECURITY FOR THE BONDS--Flow of Funds" in the body of this Official Statement), the interest payable thereon shall be deemed to be the net amount positive or negative, if any, required to be paid by the Authority to the Qualified Swap Provider pursuant to the Qualified Swap, and (b) for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the Authority to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the Authority thereunder.

In addition, if any Parity Credit Facility Loan is incurred, the principal and interest due on the Parity Credit Facility Loan shall be taken into account in calculating the Bond Requirements as provided in this paragraph. "Parity Credit Facility Loan" means a loan made to the Authority pursuant to a letter of credit, line of credit or similar credit support arrangement (a "Credit Facility") that secures parity bonds (the "Credit Secured Bonds") for the purposes of acquiring the Credit Secured Bonds or to pay the purchase price of or principal of or interest on the Credit Secured Bonds. The amounts payable as principal and interest on a Parity Credit Facility Loan shall be taken into account in determining the Minimum Securities Reserve and in determining whether additional parity bonds or other parity securities (including the Credit Secured Bonds and the Parity Credit Facility Loan) may be issued (but not for purposes of Article X of the Bond Resolution (relating to Rates, Fees and Other Charges, including the rate maintenance covenant): (a) the Parity Credit Facility Loan shall be treated as issued on the date of issue of the Credit Secured Bonds and all calculations shall be made as of that date; (b) the principal amount of the Parity Credit Facility Loan taken into account shall be deemed to be the maximum amount of the Parity Credit Facility Loan under the terms of the Credit Facility; (c) the Parity Credit Facility Loan shall be deemed to be repayable in 20 level installments of principal and interest commencing in the first Bond Year in which there is no capitalized interest with respect to the Credit Secured Bonds and ending 20 years after that Bond Year; (d) interest shall be deemed to accrue on the Parity Credit Facility Loan at a rate equal to the lesser of the maximum rate permitted under the terms of the Parity Credit Facility Loan or a rate equal to the "25 Bond Revenue Index" as most recently published in <u>The</u> <u>Bond</u> <u>Buyer</u> prior to the date a firm offer to purchase the Credit Secured Bonds is accepted by the Authority, or if such index is no longer published such other index as the Authority reasonably selects; and (e) the sum of the (i) principal of and interest on the Credit Secured Bonds plus (ii) the principal of and interest on the Parity Credit Facility Loan shall not be taken into account; rather, whichever of such obligations results in the highest Minimum Securities Reserve and the highest Combined Maximum Principal and Interest Requirements shall be taken into account.

The actual amount payable on a Parity Credit Facility Loan in any Bond Year shall be taken into account in calculating the "Bond Requirements" for the purposes of Article X of the Bond Resolution (pertaining to Rates, Fees and Charges, including the rate maintenance covenant).

"<u>Bond Reserve Account</u>" means the special and separate subaccount designated as the "Truckee Meadows Water Authority, Water System Parity Revenue Securities, Reserve Account," continued in the Bond Resolution. When the 2007 Bonds are no longer Outstanding, the Bond Reserve Account shall be discontinued in accordance with Section 508 of the Bond Resolution.

"Bond Resolution" means the 2017 Bond Resolution adopted by the Board of Directors of the Truckee Meadows Water Authority authorizing the issuance of the Bonds.

"Bonds" or "2017 Bonds" means the "Truckee Meadows Water Authority, Nevada Water Revenue Refunding Bonds, Series 2017" authorized by the Bond Resolution.

"Bond Year" for the purposes of the Bond Resolution means the 12 months commencing on July 2nd of any calendar year and ending on July 1st of the next succeeding calendar year.

"Chief Financial Officer" means the de jure or de facto Chief Financial Officer of the Authority, designated as such by the Authority (but if there is no Chief Financial Officer of the Authority, Chief Financial Officer means the TMWA Manager), and means the de jure or de facto assistant Chief Financial Officer or acting Chief Financial Officer, if any, of the Authority whenever the Chief Financial Officer is unable to act in such capacity, or the successor of the Chief Financial Officer in functions, if any. The Chief Financial Officer is the "chief financial officer" of the Authority for purposes of Chapter 350 of NRS.

"combined average annual principal and interest requirements", except as otherwise expressly provided in the Bond Resolution, means (i) the sum of the Bond Requirements of the Bonds and any other parity securities payable from the Net Revenues, which Bond Requirements come due during any Bond Year from the date of calculation to the last day on which any of the then outstanding parity securities are due and payable, but not including any securities which are no longer Outstanding under the defeasance provisions of the Bond Resolution, (ii) divided by the number of years (including any fraction thereof) from the date of the calculation of the combined average annual principal and interest requirements to the last day on which any of the then outstanding parity securities are due and payable. If any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the "25 Bond Revenue Index" as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published, such other similar long-term bond index as the Authority reasonably selects.

"combined maximum annual principal and interest requirements" means the maximum sum of the principal of and the interest (including any payments to be made (positive or negative) on any Qualified Swap as provided in the definition of "Bond Requirements") on the Bonds and any other parity securities, falling due during any one succeeding Bond Year for the period beginning with the Bond Year in which such computation is made and ending with the Bond Year in which any Bonds last become due and payable but not including any securities which are no longer Outstanding under the defeasance provisions of the Bond Resolution. If any parity security bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those parity securities or a rate equal to the "25 Bond Revenue Index" as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed parity securities is accepted by the Authority or if such index is no longer published, such long-term bond securities index as the Authority reasonably selects.

Parity Credit Facility Loans shall be taken into account in such calculations as described under the definition of "Bond Requirements" above.

"Comparable Bond Year" means, in connection with any Fiscal Year, the Bond Year which commences in the Fiscal Year. For example, for the Fiscal Year commencing on July 1, 2017, and ending on June 30, 2018, the Comparable Bond Year commences on July 2, 2017, and ends on July 1, 2018.

"Cost of the Project" or "Cost of the Refunding Project," or any phrase of similar import, means, in connection with the Bonds, all or any part designated by the Board of the cost of the Refunding Project, which cost may include all or any part of the incidental costs pertaining to the Refunding Project.

"Emergency Capital Amount" means the amount designated by the Professional Engineer as a continuing reserve to be deposited, accumulated, reaccumulated, and maintained in the Renewal and Replacement Account in accordance with the Bond Resolution.

"equip" or "equipment" means the furnishing of all related or appurtenant machinery, furnishings, apparatus, paraphernalia, or other gear, or any combination thereof, pertaining to the Project, the Water System, or other property, or any interest therein.

"Escrow Account" means the special account designated as the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2017 Escrow Account" created in the Bond Resolution and held by the Escrow Bank.

"Escrow Bank" means The Bank of New York Trust Mellon Company, N.A. or any successor thereto.

"events of default" means the events stated in Section 1303 of the Bond Resolution and discussed in "Events of Default and Remedies" herein.

"Federal Securities" means bills, certificates of indebtedness, notes, bonds, or similar securities which are direct obligations of, or the principal and interest of which securities are unconditionally guaranteed by, the United States.

"Fiscal Year" for the purposes of the Bond Resolution means the 12 months commencing on July 1st of any calendar year and ending on June 30th of the next succeeding calendar year.

"General Purpose Account" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System General Purpose Account," continued in the Bond Resolution.

"Gross Revenues" means all income and revenues received or accrued under generally accepted accounting principles derived directly or indirectly by the Authority from the water and other goods and services provided by, or from the operation and use of and otherwise pertaining to, the Water System, including, without limitation, all rates, fees, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, or any part thereof, whether resulting from repairs, enlargements, extensions, betterments or other improvements to the Water System, or otherwise, and includes all revenues received by the Authority from the Water System, including, without limitation, all fees, rates, and other charges for the use of the Water System, or for any service rendered by the Authority in the operation thereof, directly or indirectly, the availability of any such service or the sale or other disposal of any commodity derived therefrom, but excluding any moneys borrowed and used for the acquisition of capital improvements and any moneys received as grants, appropriations or gifts from the United States, the State or other sources, the use of which is limited by the grantor or donor to the construction of capital improvements for the Water System, except to the extent any such moneys shall be received as payments for the use of the Water System, services rendered thereby, the availability of any such service or the disposal of any such commodities. "Gross Revenues" shall also include: (i) all income or other gain from the investment of such income and revenues and of the proceeds of securities payable from Gross Revenues or Net Revenues; and (ii) all amounts withdrawn from the Rate Stabilization Account and deposited in the Revenue Fund as described in the Bond Resolution.

"holder," or any similar term, when used in conjunction with any Bonds, or any other designated securities, means the registered owner of any Bond or other security which is registered for payment.

"Independent Accountant" means any certified public accountant, or any firm of certified public accountants, duly licensed to practice and practicing as such under the laws of the State, as from time to time appointed and compensated by the Board on the behalf and in the name of the Authority: (1) who is, in fact, independent and not under the domination of the Authority; (2) who does not have any substantial interest, direct or indirect, with the Authority; and (3) who is not connected with the Authority as an officer or employee thereof, but who may be regularly retained to make annual or similar audits of any books or records of the Authority.

"Insurer" means the insurer of the payment of the Bond Requirements of the Bonds, if any, and its successors.

"Interest Account" means the special and separate subaccount designated as the "Truckee Meadows Water Authority, Water System Parity Revenue Securities, Interest Account," continued in the Bond Resolution.

"Member" means the City of Reno, the City of Sparks, the County and any other entity that may hereafter become a member of the Authority.

"Minimum Operation and Maintenance Reserve" means at any time in each Fiscal Year an amount at least equal to one-sixth of the aggregate amount of the Operation and Maintenance Expenses of the Water System for the Fiscal Year as fixed by the then current budget for that year, which minimum amount is required to be deposited, accumulated or reaccumulated, and maintained in the Operation and Maintenance Reserve Account pursuant to Section 513 of the Bond Resolution.

"Minimum Securities Reserve" means at any time the least of: (a) 125% of the "combined average annual principal and interest requirements," as herein defined, or (b) 100%

of the "combined maximum annual principal and interest requirements, as herein defined; or (c) an amount determined by adding the amount of the Minimum Securities Reserve in effect immediately prior to the issuance of additional parity securities to an amount equal to 10 percent of the proceeds, within the meaning of Section 148(d)(1) of the Tax Code, of the then proposed to be issued parity securities, and is required to be calculated commencing or recommencing July 2nd of each Bond Year and on the first day of the month next succeeding each date on which any Bonds or any parity securities (except refunding parity securities) hereafter authorized are delivered, and is required to be deposited, accumulated or reaccumulated, and maintained in the Reserve Account pursuant to Section 508 of the Bond Resolution; <u>but</u>

When the 2007 Bonds are no longer Outstanding, the Minimum Securities Reserve shall no longer be required and the Bond Reserve Account shall be discontinued in accordance with Section 508 of the Bond Resolution.

"<u>Net Revenues</u>" means the Gross Revenues remaining after the deduction of the "Operation and Maintenance Expenses," of the Water System, or any other facilities in connection with which the defined term is used.

"<u>Operation and Maintenance Expenses</u>," or any phrase of similar import, means all reasonable and necessary current expenses of the Authority, paid or accrued under generally accepted accounting principles, of operating, maintaining, and repairing the Water System or any other designated facilities in connection with which such term is used; and the term includes, without limitation:

(1) Engineering, auditing, reporting, legal, planning and other overhead expenses relating to the administration, operation, and maintenance of the Water System;

(2) Fidelity bond and property and liability insurance premiums pertaining to the Water System, or a reasonably allocable share of a premium of any blanket bond or policy pertaining to the Water System;

(3) Payments to pension, retirement, health, and hospitalization funds, and other insurance, and to any self-insurance fund as insurance premiums not in excess of such premiums which would otherwise be required for such insurance;

(4) Any general taxes, assessments, excise taxes, or other charges which may be lawfully imposed on the Authority, the Water System, revenues therefrom, or the Authority's income from or operations of any properties under its control and pertaining to the Water System, or any privilege in connection with the Water System or its operation;

(5) The reasonable charges of the Trustee, Paying Agent, Registrar and any other depository bank pertaining to the bonds and any other securities payable from Pledged Revenues or otherwise pertaining to the Water System;

(6) Contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs, and labor, pertaining to the Water System or to the issuance of the Bonds or any other securities relating to the Water

System, including, without limitation, the expenses and compensation of the Trustee, any receiver, or other fiduciary under the Bond Act;

(7) The costs incurred by the Board in the collection and any refunds of all or any part of Pledged Revenues;

(8) Any costs of utility services furnished to the Water System;

(9) Any lawful refunds of any Pledged Revenues;

(10) The cost of calculating and verifying any amount due the United States as rebate payments under Section 148(f), Tax Code; and

(11) All other administrative, general, and commercial expenses pertaining to the Water System; but excluding each of the following: (a) any allowance for depreciation or amortization; (b) any costs of extensions, enlargements, betterments, and other improvements, or any combination thereof; (c) any reserves for major capital replacements, other than normal (noncapital) repairs; (d) any reserves for operation, maintenance, or repair of the Water System; (e) any allowance for the redemption of any bond or other security evidencing a loan or other obligation, or the payment of any interest thereon, or any prior redemption premium due in connection therewith; (f) any liabilities incurred in the acquisition or improvement of any properties comprising any project or any existing facilities, or any combination thereof, pertaining to the Water System, or otherwise; and (g) any liabilities imposed on the Authority for any ground of legal liability not used on contract, including, without limitation, negligence in the operation of the Water System.

"Operation and Maintenance Account" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System Operation and Maintenance Account," required to be applied in accordance with Section 506 of the Bond Resolution.

"Operation and Maintenance Reserve Account" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System Operation and Maintenance Reserve Account," continued in the Bond Resolution.

"Outstanding" when used with reference to the Bonds or any other designated securities and as of any particular date means all the Bonds or any such other securities payable from Pledged Revenues or otherwise pertaining to the Water System, as the case may be, in any manner theretofore and thereupon being executed and delivered: (1) Except any bond or other security canceled by the Authority, by the Registrar, Paying Agent or otherwise on the Authority's behalf, at or before such date; (2) Except any bond or other security for the payment or the redemption of which moneys at least equal to its Bond Requirements to the date of its maturity or any Redemption Date, whichever date is earlier, if any, shall have theretofore been deposited with a trust bank in escrow or in trust for that purpose, as provided in Sections 520 or 1201 of the Bond Resolution; and (3) Except any bond or other security in lieu of or in substitution for which another bond or other security shall have been executed and delivered pursuant to the Bond Resolution.

"parity bonds" or "parity securities" means bonds or securities pertaining to the Water System secured by Pledged Revenues and with a lien on Pledged Revenues on a parity with the Outstanding Bonds.

"Paying Agent" means The Bank of New York Mellon Trust Company, N.A., a "Banking Institution" and a "trust bank," as defined in the Bond Resolution, and designated by the Authority as the paying agent for the Bonds, which is also the "Registrar" under the Bond Resolution and is an agent of the Authority for the payment of the Bond Requirements of the Bonds and for other administration of moneys pertaining to the Authority; and the term "Paying Agent" includes any successor Banking Institution as such a paying agent.

"Person" means a corporation, firm, other body corporate (including, without limitation, the Federal Government, the State, or any other body corporate and politic other than the Authority), partnership, association, or individual, and also includes an executor, administrator, trustee, receiver, or other representative appointed according to law.

"Pledged Revenues" means all or a portion of the Net Revenues. The designated term indicates a source of revenues and does not necessarily indicate all or any portion or other part of such revenues in the absence of further qualification. With respect to the Bonds and any other outstanding parity bonds, Pledged Revenues means all of the Net Revenues.

"Principal Account" means the special and separate subaccount designated as the "Truckee Meadows Water Authority, Water System Parity Revenue Securities, Principal Account," continued in the Bond Resolution.

"Project" means the Refunding Project.

"Professional Engineer" means any registered or licensed professional engineer, any firm of such engineers, any licensed professional architect, or any firm of such architects, as from time to time determined by the Authority, which Person or Persons shall: (1) Have a wide and favorable reputation for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, water systems and water facilities; (2) Be entitled to practice and are practicing as such under the laws of the State; and (3) Be selected, retained, and compensated by the Board, in the name and on behalf of the Authority, and who may be in the regular employ or control of the Authority.

"Qualified Surety Bond" means any surety bond or any insurance policy which has liquidity features equivalent to an irrevocable and unconditional letter of credit, or any irrevocable and unconditional letter of credit, deposited in the Bond Reserve Account in lieu of or in partial substitution for monies on deposit therein, the issuer of which is rated at the time of deposit of such Qualified Surety Bond in the highest rating category so long as the 2007 Bonds or 2015 Bonds are Outstanding, and thereafter, in one of the two highest rating categories, by Standard and Poor's Ratings Services, Moody's Investors Service or Fitch Investors Services, whichever has a rating in effect on the Bonds at the time of deposit of the Qualified Surety Bond.

"Qualified Swap" means, to the extent from time to time permitted by law, any financial arrangement entered into by the Authority with respect to the Bonds, parity securities or subordinate securities for the purpose of moderating interest rate fluctuations or any other purpose, (i) which is entered into with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which is any of the following, or any combination thereof, or any option with respect thereto: a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such Bonds, parity securities or subordinate securities, as the case may be, as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds, parity securities or subordinate securities, or such other exchange or rate protection transaction agreement; or other similar transaction (however designated); and (iii) which has been designated in writing to the Trustee by the Authority as a Qualified Swap with respect to such bonds.

"Qualified Swap Provider" means, except as otherwise provided in the Bond Resolution, a counterparty whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated by whichever of S&P, Moody's or Fitch as then has a rating in effect for the bonds or all such

agencies if all then have a rating in effect for the bonds, at the time the subject Qualified Swap is entered into of at least "A" in the case of Moody's, "A" in the case of Standard & Poor's, or "A" by Fitch Investors Services.

"Rate Stabilization Account" means the "Truckee Meadows Water Authority, Water System Rate Stabilization Account" continued the Bond Resolution.

"Rebate Account" means the "Truckee Meadows Water Authority, Water System Parity Revenue Securities Rebate Account" continued in the Bond Resolution.

"Redemption Date" means the date fixed for the redemption prior to their respective fixed maturity dates of any bonds or other designated securities payable from Pledged Revenues or other moneys pertaining to the Water System in any notice of prior redemption, or otherwise fixed and designated by the Authority.

"Redemption Price" means, when used with respect to a bond or other designated security payable from Pledged Revenues or other moneys pertaining to the Water System, the principal amount thereof plus accrued interest thereon to the Redemption Date plus the applicable premium, if any, payable upon the redemption thereof prior to the stated fixed maturity date of such bond or other security on a Redemption Date in the manner contemplated in accordance with the security's terms.

"Refunding Project" means the refunding of certain of the 2007 Bonds, if any, financed in wholly or in part with a portion of the proceeds of the Bonds.

"Renewal and Replacement Account" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System Renewal and Replacement Account," continued in the Bond Resolution.

"Revenue Fund" means the special and separate account designated as the "Truckee Meadows Water Authority, Water System Gross Revenues Fund," continued in the Bond Resolution.

"subordinate bonds" or "subordinate securities" means bonds or securities pertaining to the Water System and secured by Pledged Revenues with a lien on Pledged Revenues subordinate and junior to the lien thereon of the Outstanding Bonds.

"superior bonds" or "superior securities" means bonds or securities pertaining to the Water System and secured by Pledged Revenues with a lien on Pledged Revenues superior to the lien thereon of the Outstanding Bonds.

"TMWA Asset Purchase Agreement" means the asset purchase agreement between Sierra Pacific Power Company and the Authority dated as of January 15, 2001.

"TMWA Manager" means the de jure or de facto TMWA General Manager of the Authority and any deputy director designated by the TMWA Manager for purposes of the Bond Resolution, and means any de jure or de facto deputy director or acting TMWA Manager, if any, of the Authority whenever the TMWA Manager is absent or is unable to act in such capacity, or the TMWA Manager's successor in functions, if any. The TMWA Manager is the "chief administrative officer" of the Authority for the purposes of Chapter 350 of NRS.

"Trust bank" means the Trustee and any "Banking Institution," as defined in the Bond Resolution, which is also authorized to exercise and is exercising trust powers, and also means any branch of the Federal Reserve Bank.

"2007 Bond Resolution" means the resolution adopted by the Board, and authorizing the issuance of the "2007 Bonds," as herein defined.

"2007 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2007," authorized to be issued by the 2007 Bond Resolution.

"2015 Bond Resolution" means the resolution adopted by the Board, and authorizing the issuance of the "2015 Bonds," as herein defined.

"2015 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2015A," authorized to be issued by the 2015 Bond Resolution.

"2016 Bond Resolution" means the resolution adopted by the Board, and authorizing the issuance of the "2016 Bonds," as herein defined.

"2016 Bonds" means the "Truckee Meadows Water Authority, Water Revenue Refunding Bonds, Series 2016," authorized to be issued by the 2016 Bond Resolution.

"Water System" means the water facilities described in the TMWA Asset Purchase Agreement, and consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the Authority through purchase, construction or otherwise, and used in connection with such system of the Authority, and in any way pertaining thereto, whether or not located within or without or both within and without the boundaries of the County, including, without limitation, machinery, apparatus, structures, buildings and related or appurtenant furniture, fixtures and other equipment, as such system is from time to time extended, bettered or otherwise improved, or any combination thereof.

Pledge Securing Bonds

The Net Revenues and all moneys and securities paid or to be paid to or held or to be held in any account described in "SECURITY FOR THE BONDS--Flow of Funds" or under Section 401 of the Bond Resolution, except the Escrow Account, are pledged to secure the payment of the Bond Requirements of the Bonds. This pledge is valid and binding from and after the date of the first delivery of any Bonds; and the moneys, as received by the Authority and pledged, are immediately subject to the lien of this pledge without any physical delivery thereof, any filing, or further act. The lien of this pledge and the obligation to perform the contractual provisions pursuant to the Bond Resolution have priority over any or all other obligations and liabilities of the Authority, except for the 2007 Bonds, the 2015 Bonds, the 2016 Bonds and any Outstanding securities hereafter authorized, the lien of which on the Net Revenues is on a parity with the lien thereon of the Bonds; and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the Authority (except as otherwise provided in the Bond Resolution) irrespective of whether such parties have notice thereof.

Equality of Lien

The covenants and agreements set forth in the Bond Resolution to be performed on behalf of the Authority are for the equal benefit, protection, and security of the holders of any and all of the Outstanding Bonds and any Outstanding parity securities payable from Pledged Revenues and heretofore or hereafter authorized, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority, or distinction of any of the Bonds or other such securities over any other thereof, except as otherwise expressly provided in or pursuant to the Bond Resolution.

Refunding Securities

At any time after the Bonds, or any part thereof, are issued and remain Outstanding, if the Board shall find it desirable to refund any Outstanding bonds or other Outstanding securities payable from and constituting a lien upon Pledged Revenues, such bonds or other securities, or any part thereof, may be refunded only if the bonds or other securities at the time or times of their required surrender for their payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the Authority's option upon proper call, unless the holder or holders of all such Outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of any refunding securities on Pledged Revenues is changed (except as otherwise discussed in "SECURITY FOR THE BONDS--Flow of Funds").

The parity refunding securities so issued shall enjoy complete equality of lien with the portion of any parity securities of the same issue which is not refunded; and the holder or holders of such parity refunding securities shall have the same rights and privileges enjoyed by the holder or holders of the unrefunded parity securities of the same issue partially refunded by the parity refunding securities.

Any bonds or other refunding securities payable from Pledged Revenues shall be issued with such details as the Board may by instrument provide, subject to the provisions of and the inclusion of any such rights and privileges designated in the Bond Resolution, but without any impairment of any contractual obligation imposed upon the Authority by any proceedings authorizing the issuance of any one or more issues, including, without limitation, the Bonds.

If only a part of the Outstanding bonds and other Outstanding securities of any issue or issues payable from Pledged Revenues is refunded, then such securities may not be refunded without the consent of the holder or holders of the unrefunded portion of such securities:

(1) Requirements Not Increased. Unless the bonds or other refunding securities do not increase for any Bond Year the aggregate principal and interest requirements evidenced by such refunding securities and by the Outstanding securities not refunded on and prior to the last maturity date or last Redemption Date, if any, whichever time is earlier, if any, of such unrefunded securities, and unless the lien of the refunding securities on Pledged Revenues is not raised to a higher priority than the lien thereon of the bonds or other securities thereby refunded; or

(2) Subordinate Lien. Unless the lien on any Pledged Revenues for the payment of the refunding securities is subordinate to each such lien for the payment of any securities not refunded; or

(3) Default and Earnings Test. Unless the refunding securities are issued in compliance with the additional bonds test described in the Official Statement under the caption "SECURITY FOR THE BONDS--Additional Parity Securities," but excluding from any computation thereunder the bonds to be refunded and redeemed.

General Administration of Accounts

Each of the separate accounts and subaccounts created by the Bond Resolution shall be maintained as an account and kept separate from all other accounts solely for the purposes designated in the Bond Resolution therefor, except as otherwise expressly stated in the Bond Resolution. The moneys accounted for in such separate accounts and subaccounts shall be deposited in one bank account or more, except as otherwise provided in the Bond Resolution. Nothing in the Bond Resolution prevents the commingling of moneys accounted for in any two or more accounts or subaccounts, or both accounts and subaccounts, pertaining to the Water System, the Pledged Revenues, proceeds of securities, other moneys, or to the fund pertaining to the Water System and any other funds of the Authority (each of which funds consists of a self-balancing group of accounts and constitutes an independent fiscal and accounting entity) in any bank account or any investment in Federal Securities under the Bond Resolution (but not any defeasance escrow account (described below in "Defeasance"). Each such bank account shall be continuously secured to the fullest extent required or permitted by the laws of the State for the securing of public funds, subject to the provisions of Section 1403 of the Bond Resolution (concerning the Trustee's duties with respect to the deposit and security of funds), and shall be irrevocable and not withdrawable by anyone for any purpose other than the purpose or purposes designated therefor. Each periodic payment shall be credited to the proper account or subaccount not later than the date therefor designated in the Bond Resolution, except that when any such date shall be a Saturday, Sunday, or a legal holiday, then such payment shall be made on or before the next preceding secular day. Notwithstanding any other provision in the Bond

Resolution to the contrary, collected moneys shall be deposited with the Paying Agent, and any other Banking Institution designated as a paying agent for any securities heretofore or hereafter authorized to be issued and payable from Pledged Revenues (or any combination thereof), at least by the day of each interest payment date or any other due date designated in the Bond Resolution sufficient to pay the Bond Requirements then becoming due on the Outstanding Bonds and any other Outstanding securities pertaining to the Water System.

Investment of Funds

General. Any moneys in any account designated in the Bond Resolution (except defeasance escrow accounts), and not needed for immediate use, may be invested or reinvested in any investments permitted under State law which are consistent with any guidelines for permitted investments required by the Insurer, if any, as a condition of insuring the Bonds, or are approved in writing by the Insurer (the "permitted securities") in accordance with written or verbal instructions, which are promptly followed in writing, of the TMWA Manager or the Chief Financial Officer, except as otherwise expressly stated in the Bond Resolution. Such investments shall mature not later than the date or dates on which the TMWA Manager or the Chief Financial Officer estimates the proceeds thereof will be needed, and, in any event, investments of amounts in the Bond Reserve Account may mature within 30 years of the date of the investment or the maximum allowed under State law. Any securities that mature later than 5 years after the investment therein will be revalued to their market value at least semiannually. For the purposes of any such investment or reinvestment, securities shall be deemed to mature at the earliest date on which the obligor is, on demand, obligated to pay a fixed sum in discharge of the whole of such obligations. In making each such investment or reinvestment, the Trustee may rely upon such written or verbal instructions, which are promptly followed in writing, and shall be under no duty as to the propriety of the investment or reinvestment made in accordance with such instructions. The Trustee may sell or present for redemption, any securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such securities are credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Permitted Investments. The TMWA Manager and the Chief Financial Officer shall have no obligation to cause the making of any investment or reinvestment under the Bond Resolution, unless any moneys on hand and accounted for in any one account exceeds $5,000 and at least $5,000 therein will not be needed for a period of not less than 60 days. In such event, the TMWA Manager or Chief Financial Officer shall cause the investment or reinvestment in permitted securities to the extent practicable not less than substantially all the amount which will not be needed during such 60-day period, except for any moneys on deposit in an interest-bearing account of a Banking Institution, regardless of whether such moneys on deposit are evidenced by a certificate of deposit, or otherwise; but the TMWA Manager and the Chief Financial Officer are not required to invest, or so to invest in such a manner, any moneys accounted for under the Bond Resolution if any such investment would contravene the provisions of the Tax Code or any other investment limitation imposed by law upon the Authority. The TMWA Manager or the Chief Financial Officer may cause the investment or reinvestment in any lawful manner any moneys on hand at any time even though he is not obligated to do so.

Accounting for Investments. The securities so purchased as an investment or reinvestment of moneys in any such account or subaccount, as the case may be, shall be deemed at all times to be a part of the account or subaccount and held in trust therefor. Except as otherwise provided in the Bond Resolution, any interest accruing thereon and any other gain realized therefrom, as well as any interest and other gain from the deposit of moneys in a Banking Institution shall be credited to the Revenue Fund (except as discussed below) as such gain is received; and any loss in any account or subaccount resulting from any such investments and reinvestment in securities and from any such deposits in any Banking Institution shall be charged or debited to the Revenue Fund (except as hereinafter provided); but, so long as the Bonds or any parity securities, or both, are Outstanding, and except for amounts representing rebatable arbitrage for the purpose of Section 148(f) of the Tax Code, no such gain shall be transferred to the Revenue Fund at any time: A. Interest Account. From the Interest Account prior to July 1, 2017, if the moneys accounted for therein for the payment of the interest on the Bonds and any parity securities then Outstanding do not after any such transfer at least equal the amount of unpaid interest accruing to July 1, 2017; or B. Bond Reserve Account. From the Bond Reserve Account if the moneys accounted for therein do not after any such transfer at least equal the Minimum Securities Reserve.

Except as discussed in the "General" paragraph above, no loss or profit in any account or subaccount on any investments or reinvestments in securities or any certificates of deposit shall be deemed to take place as a result of fluctuations in the market quotations of the investments, reinvestments, or certificates prior to the sale or maturity thereof. In the computation of the amount in any account or subaccount for any purpose under the Bond Resolution, except as otherwise expressly provided in the Bond Resolution, securities and certificates of deposit shall be valued at the cost thereof (including any amount paid as accrued interest at the time of purchase of the obligation) and other bank deposits shall be valued at the amounts deposited, exclusive of any accrued interest or any other gain to the Authority until such gain is realized. The expenses of purchase, safekeeping, sale, and all other expenses incident to any investment or reinvestment of moneys pursuant to this article shall be accounted for as Operation and Maintenance Expenses of the Water System and charged to the Operation and Maintenance Account.

Tax Covenant

In the Bond Resolution, the Authority covenants for the benefit of each holder of Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the Authority or any facilities refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for Federal income tax purposes under Section 103 of the Tax Code or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant will remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the Authority in fulfilling the above covenant under the Tax Code have been met.

Other Covenants

In the Bond Resolution, the Authority makes numerous covenants for the benefit of the holders of the Bonds. Certain of those covenants are described below.

Performance of Duties. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall faithfully and punctually perform or cause to be performed all duties with respect to Pledged Revenues, the Water System required by the Constitution and laws of the State and the various resolutions and other instruments of the Authority, including, without limitation, the proper segregation of the proceeds of the Bonds, the 2016 Bonds, the 2015 Bonds, 2007 Bonds and any securities hereafter authorized and pertaining to the Water System and Pledged Revenues and their application from time to time to the respective accounts provided therefor.

Contractual Obligations. The Authority shall perform all contractual obligations undertaken by it under leases or other agreements with the Federal Government, under and any other agreements with all other Persons relating to the Bonds and any other Water System securities, Pledged Revenues, the Project, or the Water System, or any combination thereof.

Further Assurances. At any and all times the Authority, acting by and through the Board except when otherwise required by law, shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver, and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, and confirming all and singular the rights, the Gross Revenues, and other moneys and accounts pledged or assigned by the Bond Resolution, or intended so to be, or which the Authority may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Bond Resolution and any instrument supplemental thereto, and to comply with the Authority Act and the Bond Act. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Gross Revenues and other moneys and accounts pledged under the Bond Resolution and all the rights of every holder of any bonds or other securities payable from Pledged Revenues against all claims and demands of all Persons whomsoever.

Rules, Regulations, and Other Details. The Authority, acting by and through the TMWA Manager, the Board, or otherwise, shall establish and enforce reasonable rules and regulations governing the operation, care, repair, maintenance, management, control, occupancy, use, and services of the Water System. The Authority shall observe and perform all of the terms and conditions contained in the Bond Resolution and shall comply with all valid acts, rules, regulations, orders, and directives of any legislative, executive, administrative, or judicial body applicable to the Water System or the Authority.

Competent Personnel and Operation. The Authority shall at all times endeavor to employ in connection with the operation of the Water System in executive and managerial capacities only individuals competent therefor by reason of training and experience. The Authority shall administer the Water System in accordance with sound business principles. All salaries, fees, wages, and other compensation paid by the Authority in connection with the maintenance, repair, and operation of the Water System shall be reasonable, proper, and not excessive.

Maintenance of Water System. The Authority shall, insofar as it may legally do so, without any violation of other provisions of the Bond Resolution, maintain, preserve, keep, and operate the Water System or cause the Water System to be maintained, preserved, kept, and operated in good repair, working order, and condition.

Operation of Water System. The Authority shall at all times operate the Water System properly and in a sound and economical manner and shall maintain, preserve, and keep the Water System properly, or cause the same, by lease or otherwise, so to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order, and condition. The Authority also shall from time to time make or cause to be made all necessary and proper repairs, replacements, and renewals so that at all times the operation of the Water System may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating water facilities of like size and character.

Competing Water Facilities. The Authority shall not construct other facilities or structures to be operated by the Authority separate from the Water System and competing with the Water System for revenues otherwise available for the payment of the Bonds or any other securities payable from Pledged Revenues.

Corporate Existence. The Authority shall maintain its corporate identity and existence so long as any of the Bonds and any other securities payable from Pledged Revenues remain Outstanding, unless another body corporate and politic by operation of law succeeds to the duties, privileges, powers, liabilities, disabilities, immunities, and rights of the Authority and is obligated by law to operate and maintain the Water System and to fix and collect Pledged Revenues as provided in the Bond Resolution without adversely and materially affecting at any time the privileges and rights of any holder of any Outstanding bond or any such other Outstanding security.

Disposal of Water System Prohibited. Except for the use of the Water System or services pertaining thereto in the normal course of business, neither all nor a substantial part of the Water System shall be sold, leased, mortgaged, pledged, encumbered, alienated, or otherwise disposed of, until all the Bonds have been paid in full, as to all Bond Requirements, or unless provision has been made therefor, or until the bonds have been otherwise redeemed, including, without limitation, the termination of the pledge as authorized in the Bond Resolution; and the Authority shall not dispose of its title to the Water System or to any useful part thereof, including, without limitation, any property necessary to the operation and use of the Water System and the lands comprising the site of the Water System (other than the execution of leases, licenses, easements, or other agreements in connection with the operation of the Water System by the Authority), except for any pledges of and liens on revenues derived from the operation and use of the Water System, or any part thereof, for the payment of any other revenue bonds or other securities pertaining to the Water System as permitted in the Bond Resolution, and except as otherwise provided in the Bond Resolution.

Revenues and Agreements. The Authority shall not create or permit to be created any charge or lien on the Gross Revenues, except as permitted in the Bond Resolution. Nothing contained in the Bond Resolution prevents the Authority from executing leases, licenses, easements, or other agreements for any part of the Water System with the Federal Government or any other Persons, if such instrument shall not substantially diminish the Net Revenues otherwise available for the payment of the Outstanding Bonds and any other Outstanding bonds or other Outstanding securities payable from Pledged Revenues. The Authority shall not enter into any agreement that limits its ability to increase rates and charges for water and other goods and services provided by, and for the use of the Water System as may be necessary to comply with the rate maintenance covenant contained in the Bond Resolution. Not more than 10 percent of the Gross Revenues, excluding revenues derived from the sale of electric power, may be subject to a contract that fixes the amount paid to the Authority for goods or services or otherwise for a term greater than three years.

Disposal of Unnecessary Property. The Authority may sell, exchange, lease, or otherwise dispose of at any time and from time to time any property constituting a part of the Water System and not useful in the construction, reconstruction, or operation thereof, or which shall cease to be necessary for the efficient operation of the Water System, or which shall have been replaced by other property of at least equal value, except to the extent the Authority is prevented from so doing by any contractual limitation pertaining thereto. The TMWA Manager shall certify that such property is not useful, has ceased to be necessary for the efficient operation of the Water Systems, or has been replaced by other property of at least equal value prior to disposal of such property. The
net proceeds of the sale of any Water System property shall be used for the purpose of replacing properties at the Water System, real, personal, mixed, or otherwise, or shall be paid into the General Purpose Account for the purposes thereof.

Loss from Condemnation. If any part of the Water System shall be taken by the exercise of a power of eminent domain, the amount of any award received by the Authority as a result of such taking shall be paid into the General Purpose Account for the purposes of reconstructing the Water System and, to the extent not needed for reconstruction, to the Revenue Fund, as the Board may determine.

Payment of Governmental Charges and Liens. The Authority shall pay or cause to be paid all taxes, assessments, and other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Water System, or upon any part thereof, or upon any portion of the Gross Revenues, or revenues otherwise pertaining to the Water System, when the same shall become due. The Authority shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Water System, or any part thereof, except for any period during which the validity of the same is being contested in good faith by proper legal proceedings. The Authority shall not create or suffer to be created any lien or charge upon the Water System, or any part thereof, or upon the Gross Revenues, except the pledge and lien created by the Bond Resolution for the payment of the Bond Requirements of the Bonds and any Outstanding parity securities or subordinate securities, and except as otherwise permitted in the Bond Resolution. The Authority shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 60 days after the same shall become payable, all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law become a lien upon the Water System, any part thereof, the Gross

Revenues, or any other revenues pertaining to the Water System. Nothing contained in the Bond Resolution requires the Authority to pay or cause to be discharged or to make provision for any such tax, assessment, lien, charge, or demand before the time when payment thereon shall be due, or so long as the validity thereof shall be contested in good faith.

Protection of Security. The Authority, the officers, agents, and employees of the Authority and the Board shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bond Requirements of the Bonds and any other securities payable from Pledged Revenues according to the terms of such securities. The Authority shall maintain, preserve, and renew all the rights, powers, privileges, and franchises now owned or hereafter acquired with respect to the Water System. No contract shall be entered into and no other action shall be taken by which the rights of any holder of any bond or other security payable from Pledged Revenues might be prejudicially and materially impaired or diminished.

Prompt Payment of Securities. The Authority shall promptly pay the Bond Requirements of every bond and every other security payable from Pledged Revenues at a place, on the dates, and in the manner specified in the bond or other security according to their true intent and meaning and as provided in any instrument pertaining thereto, including without limitation, the Bond Resolution.

Use of Gross Revenues. None of the Gross Revenues shall be used for any purpose other than as provided in the Bond Resolution. The Authority shall apply the Net Revenues to the payment of the bonds, any other securities payable from Pledged Revenues, and the interest thereon (but not necessarily exclusively thereto), and the Authority is not obligated to make such payments from any other source or moneys, but it is not prohibited from making such payments from any moneys which may be lawfully used for that purpose.

Other Liens. Other than as provided in the Bond Resolution, there are no liens or encumbrances of any nature whatsoever on or against the TMWA Water System, or any part thereof, or on or against the Gross Revenues derived or to be derived, on a parity with or superior to the lien of the Bonds, 2016 Bonds, 2015 Bonds and 2007 Bonds. The Authority shall not issue any bonds, other than the Bonds, 2016 Bonds, 2015 Bonds and 2007 Bonds, or any other additional securities secured by a pledge of or lien on the Gross Revenues, or both such a pledge and such a lien (including, without limitation, amounts which the Authority may thereafter be entitled to withdraw from the Revenue Fund and transfer to the Operation and Maintenance Account for the payment of Operation and Maintenance Expenses) and shall neither create nor cause to be created any lien or charge on the Gross Revenues or on any amount held by the Trustee or the Authority under the Bond Resolution, except as otherwise provided in the Bond Resolution; but neither this Section nor any other provision of the Bond Resolution shall prevent the Authority from issuing additional bonds or other additional securities for the purposes of the Authority secured by a pledge of and lien on Pledged Revenues subordinate to the lien of the Bonds, 2016 Bonds, 2015 Bonds and 2007 Bonds, or to be derived on and after such date as the pledge of and lien on the Pledged Revenues provided in the Bond Resolution are discharged and satisfied as discussed in "Defeasance" below, or otherwise.

Revenues Claims. The Authority shall defend against every suit, action, or proceeding at any time brought against any holder of any bonds or other securities payable from

Pledged Revenues upon any claim arising out of the receipt, application, or disbursement of any of the Gross Revenues, or involving such holder's rights under the Bond Resolution or other proceedings pertaining to the issuance of such securities; the Authority shall also indemnify and save harmless any such holders against any and all liability, claim, or assertion by any Person whomsoever, arising out of such receipt, application, or disbursement; but such holder at his election may appear in and defend any such suit, action, or proceedings; and notwithstanding any contrary provision of the Bond Resolution, this covenant shall continue and remain in full force and effect, even though all indebtedness, liabilities, obligations, and other sums secured by the Bond Resolution may have been fully paid and satisfied, and the obligations under the Bond Resolution may have been released and the lien of the Bond Resolution discharged.

Records and Accounts. So long as any of the Bonds and any other securities payable from Pledged Revenues remain outstanding, proper records and accounts shall be kept by the Authority, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Water System and to all moneys pertaining thereto, including, without limitation, the Gross Revenues. Such records shall include (but not necessarily be limited to) monthly records, all in reasonable detail as may be determined by the TMWA Manager or her delegate and in accordance with standard accounting practices, showing: (a) the Gross Revenues and other moneys received and pertaining to the Water System; (b) the respective purposes for which such moneys were paid and the respective accounts in which such moneys were accounted; and (c) complete and correct entries of all transactions relating to the receipt, disbursement, allocation, and application of all moneys.

All requisitions, requests, certificates, opinions, and other documents received by any Person on behalf of the Authority in connection with the Water System under the provisions of the Bond Resolution shall be retained in the Authority's official records in accordance with State law.

Audits Required. The Authority shall cause an audit to be made for each Fiscal Year within 180 days following the close of the Fiscal Year of such records, accounts, and subaccounts by an Independent Accountant, and shall order an audit report showing the receipts and disbursements for each account and subaccount pertaining to the Water System, including, without limitation, the Gross Revenues.

Records and accounts, and audits thereof, with respect to the Water System and the Gross Revenues, shall be currently kept and made, as nearly as practicable, in accordance with generally accepted accounting principles, methods and terminology followed and construed for water systems comparable to the Water System, except as may be otherwise provided in the Bond Resolution or required by applicable law or regulation or by contractual obligation existing on the effective date of the Bond Resolution.

Insurance and Reconstruction. The Authority, shall at all times maintain fire and extended coverage insurance, workmen's compensation insurance, public liability insurance, and all such other insurance as is customarily maintained with respect to facilities of like character against loss of or damage to the Water System, against loss of Pledged Revenues and against public and other liability to the extent reasonably necessary to protect the interests of the Authority and of each owner of a Bond or any other security payable from the Pledged Revenues, except as otherwise provided in the Bond Resolution. The amounts of such insurance coverage shall be approved by the Authority's risk manager or the risk managers of the Members. If at any time the Authority is unable to obtain insurance to the extent provided in the Bond Resolution, the Authority shall maintain such insurance to the extent it is reasonably obtainable. If such insurance is not reasonably obtainable, the Authority shall self-insure to the extent it is financially able to do so. If any useful part of the Water System shall be damaged or destroyed, the Authority shall, as expeditiously as possible, commence and diligently prosecute the repair or replacement of the damaged or destroyed property so as to restore the same to use. The proceeds of any such property insurance relating to the Water System shall be payable to the Authority and applied as provided in "Use of Insurance Proceeds" below. The Authority may insure all or a portion of the above risks through a program of self-insurance, providing that the level of self-insurance reserves and the funding thereof are approved by an independent expert in self-insurance.

Use of Insurance Proceeds. Immediately after any loss or damage to the Water System which is covered by insurance, the Authority shall cause plans and specifications for repairing, reconstruction, or otherwise replacing the damaged or destroyed property to be prepared and an estimate of the cost thereof, and to file copies of such plans and specifications and of such estimate with the TMWA Manager. The proceeds of all insurance referred to in "Insurance and Reconstruction" above shall be available for and to the extent necessary be applied to the repair, reconstruction, and other replacement of the damaged or destroyed property. If such proceeds are more than sufficient for such purpose, the balance remaining shall be paid into the following subaccount and account in the following priorities: (a) firstly, into the Bond Reserve Account, to the extent necessary to bring the amount on deposit in the Bond Reserve Account up to the then Minimum Securities Reserve; and (b) secondly, into the General Purpose Account.

If such proceeds shall be insufficient to repair, reconstruct, or otherwise replace the damaged or destroyed property pertaining to the Water System, the deficiency may be supplied by the TMWA Manager from moneys in the Renewal and Replacement Account, the General Purpose Account, or any other accounts or subaccounts legally available for such purposes. If the cost of repairing, reconstruction, or otherwise replacing the damaged or destroyed property as estimated by the TMWA Manager shall not exceed the proceeds of insurance and other moneys legally available for such purpose, the Authority shall forthwith commence and diligently prosecute the repair, reconstruction, or other replacement of the damaged or destroyed property. The cost of maintaining such insurance for the Water System shall be deemed a part of the Operation and Maintenance Expenses of the Water System.

The proceeds of any insurance designated in Sections 1129 and 1130 of the Bond Resolution (described in "Insurance and Reconstruction" and "Use of Insurance Proceeds" above) and not applied within 18 months after receipt by the Authority to the repairing, reconstructing, or otherwise replacing of the damaged or destroyed property, unless the Authority is prevented from so doing because of conditions beyond its control, shall be transferred to the General Purpose Account.

Maintenance of Policies. All such insurance policies designated in "Insurance and Reconstruction" above shall be filed with the TMWA Manager and shall be subject to the inspection at all reasonable times of any holder of any Outstanding bond or any other

Outstanding security payable from Pledged Revenues or any authorized representative of any such holder.

Additional Covenants Related to Qualified Swaps. While the Bonds are Outstanding, the Authority agrees to the following:

A. Commencing on the first day of the month succeeding the date on which any parity security which bears interest at a variable interest rate converts to a parity security which bears interest at a fixed interest rate the Authority will be required to provide the Trustee from any revenues available therefor, for credit to the Bond Reserve Account within the Bond Fund, after provision is made for Operation and Maintenance Expenses and principal and interest payments on any Outstanding parity securities as provided in the Bond Resolution, respectively, in 36 substantially equal monthly installments, an amount equal to the remainder of the Minimum Securities Reserve less the amount of any other moneys available therein and less the available balance of any Qualified Surety Bond which are accounted for in the Bond Reserve Account.

B. At least 15 days in advance of entering into a Qualified Swap, the Authority will give written notice to Standard and Poor's Ratings Group, Moody's Investors Service, and/or Fitch whichever then has a rating in effect for the bonds, of such Qualified Swap and provide those rating agencies the proposed documentation evidencing such Qualified Swap.

C. If a termination payment under a Qualified Swap is unconditionally due and payable in accordance with the terms of the Qualified Swap, and the Authority determines that payment of such termination payment on its due date would be unduly burdensome, the Authority will use its best efforts to issue bonds or other obligations and use the proceeds thereof for the purpose of paying such termination payment.

D. Any Qualified Swap entered into by the Authority will contain a provision requiring the Qualified Swap Provider to (i) maintain at least an "A" rating from Standard and Poor's Corporation on its senior long-term debt obligations, or on the senior long-term debt obligations of the financial institution that guarantees the Authority's obligations under the Qualified Swap, or (ii) to collateralize its obligations under the Qualified Swap in a manner reasonably acceptable to Standard and Poor's Corporation.

Events of Default and Remedies

Events of Default. Except as otherwise provided in the Bond Resolution, the occurrence of each of the following events is an "event of default" pursuant to the Bond Resolution:

1. Nonpayment of Principal and Premium. Payment of the principal of any of the Bonds, or any prior redemption premium due in connection therewith, or both, is not made when the same becomes due and payable, either at maturity or by proceedings for prior redemption, or otherwise;

2. Nonpayment of Interest. Payment of any installment of interest is not made when the same becomes due and payable;

3. Incapable To Perform. The Authority for any reason is rendered incapable of fulfilling its obligations under the Bond Resolution;

4. Nonperformance of Duties. The Authority fails to carry out and to perform (or in good faith to begin the performance of) all acts and things lawfully required to be carried out or to be performed by it under any contract relating to Pledged Revenues, to the Water System, or to all or any other combination thereof, or otherwise, including, without limitation the Bond Resolution, and such failure continues for 60 days after receipt of notice directly from the holders of a majority in principal amount of the Bonds and parity securities then Outstanding or receipt of such notice from such holders is delivered by the Trustee;

5. Failure to Reconstruct. The Authority discontinues or unreasonably delays or fails to carry out with reasonable dispatch the repair, reconstruction, or other replacement of any material part of the Water System which is destroyed or damaged and is not promptly replaced (whether such failure to replace the same is due to impracticability of such replacement, is due to a lack of moneys therefor, or for any other reason);

6. Appointment of Receiver. An order or decree is entered by a court of competent jurisdiction with the consent or acquiescence of the Authority appointing a receiver or receivers for the Water System or for any Pledged Revenues and any other moneys subject to the lien to secure the payment of the Bonds, or both such Water System and such moneys, or an order or decree having been entered without the consent or acquiescence of the Authority is not vacated or discharged or stayed on appeal within 60 days after entry; and

7. Default of Any Provision. Except as otherwise provided in the Bond Resolution, the Authority makes any default in the due and punctual performance of any other of the representations, covenants, conditions, agreements, and other provisions contained in the Bonds or in the Bond Resolution on its part to be performed, and such default continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to the Authority directly by the holders of a majority in principal amount of the Bonds and any parity securities then Outstanding or such notice from such holders is received by the Trustee and delivered to the Authority by the Trustee. If the Authority defaults in performance of the Rate Maintenance Covenant, and: (1) the Authority has consulted an Professional Engineer with regard to the steps it should take to increase Net Revenues; (2) the rates and charges collected by the Authority equal or are greater than 100 percent of combined maximum principal and interest requirements; and (3) the Authority is following those recommendations of the Professional Engineer, it does not constitute an event of default as long as such default does not continue for a period of not more than three years.

Remedies. Upon the happening of an event of default as provided above in subsections 1 or 2 with respect to any Bond which is insured by the Insurer, the Trustee shall instruct the Paying Agent to proceed as provided in the payment procedures provided by the Insurer. Upon the happening and continuance of any of the events of default described above, the holder or holders of not less than a majority in principal amount of the Bonds and any parity securities then Outstanding or the Trustee therefor may proceed against the Authority and its agents, officers, and employees to protect and to enforce the rights of any holder of Bonds under the Bond Resolution by mandamus or by other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Resolution or by an award of execution of any power in the Bond Resolution granted for the enforcement of any proper, legal, or equitable remedy as such holder or holders may deem most effectual to protect and to enforce the rights aforesaid, or thereto enjoin any act or thing which may be unlawful or in violation of any right of any holder of any Bond, or to require the Authority to act as if it were the trustee an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had, and maintained for the equal benefit of all holders of the Bonds and any parity securities then Outstanding.

Any receiver appointed in any proceedings to protect the rights of such holders under the Bond Resolution, the consent to any such appointment being expressly granted by the Authority in the Bond Resolution, may enter and take possession of the Water System, subject to the rights and privileges of any lessee or other user under any lease or other contract, may operate and maintain the same, may prescribe rates, fees, and other charges, and may collect, receive, and apply all Gross Revenues and any other revenues pertaining to the Water System arising after the appointment of such receiver in the same manner as the Authority itself might do.

The failure of any holder of any Outstanding Bond to proceed in any manner provided in the Bond Resolution shall not relieve the Authority, its Board, or any of the Authority's officers, agents, or employees of any liability for failure to perform or carry out any duty, obligation, or other commitment. Each right or privilege of any such holder (or trustee thereof) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege thereof.

<u>No Acceleration</u>. Nothing in the Bond Resolution or any other instrument of the Authority or any law of the State shall permit the acceleration of the time or times for the payment of the Bonds, as to all Bond Requirements prior to their respective maturities or other due dates as provided in the Bond Resolution, even if the Authority defaults in the payment of any such Bond Requirements under the Bond Resolution, and shall not permit such an acceleration of the time for the payment of any subordinate securities without the consent of the Insurer.

<u>Authority Duties upon Defaults</u>. Upon the happening of any of the events of default discussed above, the Authority, in addition, shall do and perform all proper acts on behalf of and for the holders of the Bonds, and any parity securities payable from Pledged Revenues to protect and to preserve the security created for the payment of the securities and to insure the payment of the Bond Requirements of the securities promptly as the same become due. During any period of default, so long as any of the securities, as to any Bond Requirements, are Outstanding, all Net Revenues shall be paid into the Bond Fund, and, to the extent such revenues, if any, exceed the Bond Requirements of the Outstanding securities payable from such account, both accrued and to accrue to their respective fixed maturity dates or to any Redemption Date or Redemption Dates pertaining thereto, whichever is earlier, if any, into any like account or like accounts for any Outstanding subordinate securities. If the Authority fails or refuses to proceed as in this Section provided, the holder or holders of not less than a majority in principal amount of the bonds and any parity securities then Outstanding, after demand in writing, may

proceed to protect and to enforce the rights of the holders of the securities as hereinabove provided; and to that end any such holders of Outstanding securities shall be subrogated to all rights of the Authority under any agreement, lease, or other contract involving Pledged Revenues, or the Water System entered into prior to the effective date of the Bond Resolution or thereafter while any such securities are Outstanding.

Authority Duties in Bankruptcy Proceedings. If any lessee or other user of the Water System proceeds under any laws of the United States relating to bankruptcy, including, without limitation, any action under law providing for corporate reorganization, it shall be the duty of the Authority and its appropriate officers are authorized and directed in the Bond Resolution to take all necessary steps for the benefit of the holders of the Bonds and any parity securities in such proceedings, including, without limitation, the filing of any claims for unpaid rates, fees, other charges, and other payments due to the Authority or otherwise arising from the breach of any of the covenants, terms, or conditions of the lease or any other contract pertaining to the Water System, unless the TMWA Manager or his delegate determines that the costs of such action are likely to exceed the amounts thereby recovered from such obligor.

Defeasance

Except as otherwise set forth in the Bond Resolution, when all Bond Requirements of any Bond or any other security of any other issue payable from Pledged Revenues have been duly paid, the pledge and lien and all obligations under the Bond Resolution shall thereby be discharged as to that Bond or security and it shall no longer be deemed to be Outstanding within the meaning of the Bond Resolution. There shall be deemed to be such due payment if the Authority has placed in escrow or in trust with a trust bank exercising trust powers, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities in which such amount wholly or in part may be initially invested) to meet all Bond Requirements of the Bond or security, as such requirements become due to the fixed maturity date of the Bond or security or to any Redemption Date or Redemption Dates as of which the Authority shall have exercised or shall have obligated itself to exercise its prior redemption option by a call of the Bond or security thereafter maturing for payment then. The Federal Securities shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the Authority and such bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. If at any time the Authority has so placed in escrow or trust an amount so sufficient to pay designated Bond Requirements of securities constituting less than all of the Bond Requirements of the securities becoming due on and before their respective due dates, be they the fixed maturity dates of the securities or any such Redemption Date pertaining to the securities, such designated Bond Requirements shall be deemed paid and discharged under the Bond Resolution. For the purposes of this Section, "Federal Securities" shall not include any Federal Securities which are callable by any party other than the owner thereof; and if any defeasance escrow investments involve a contract for supplying Federal Securities for the escrow after the date of creation of the escrow, the consent of the Insurer, if any, must be obtained. Notwithstanding anything in the Bond Resolution to the contrary, in the event that the principal of or interest on the Bonds shall be paid by the provider of a Qualified Surety Bond pursuant to the terms of such Qualified Surety Bond, the Bonds shall remain Outstanding, not be defeased or otherwise satisfied until the amounts owed by the

Authority pursuant to the terms of the agreement between the Authority and the provider of such Qualified Surety Bond are paid to the provider of such Qualified Surety Bond. The Authority shall provide the Trustee with either (i) a report of an independent firm of nationally recognized certified public accountants verifying the sufficiency of the escrow established to pay the defeased Bonds in full or (ii) an opinion of bond counsel to the effect that such Bonds are no longer Outstanding under the Bond Resolution, that the defeasance was in accordance with the requirements of the Bond Resolution and will not adversely affect the tax exempt status of such Bonds.

Amendment of the Bond Resolution

General Amendments. The "Regular Record Date" as defined in the Bond Resolution may be changed by the Authority without the consent of any holders of the Bonds if the Authority receives the consent of the securities depository then holding the Bonds, if any, and if the Authority gives to the registered owner of each Bond a notice of change in the Regular Record Date, if a securities depository is the registered owner of the Bonds, by registered or certified mail, and otherwise, by first class mail, not less than six months before the first interest payment date to which the changed Regular Record Date will be applicable. In addition, the Bond Resolution may be amended or supplemented by instruments adopted by the Board in accordance with the laws of the State, without receipt by the Authority of any additional consideration, but, with the written consent of the Insurer of the Bonds, if any, or the holders of 66% in aggregate principal amount of the Bonds and parity securities Outstanding at the time of the adoption of such amendatory or supplemental instrument (any Bonds which may then be held or owned for the account of the Authority, but including such refunding securities as may be issued for the purpose of refunding any of the Bonds if such refunding securities are not owned by the Authority).

Limitations upon Amendments. No amendment to the Bond Resolution shall permit without the consent of the Insurer of the Bonds, if any, and the beneficial owners of the Bonds adversely affected thereby: (1) a change in the maturity or in the terms of redemption of the principal of any Outstanding Bond or any installment of interest thereon; (2) a reduction in the principal amount of any Bond, the rate of interest thereon, or any prior redemption premium payable in connection therewith; (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or the pledge created by the Bond Resolution; (d) a reduction of the principal amount or percentages or otherwise affecting the description of Bonds or the consent of the holders of which is required for any such amendment or other modifications; (e) the establishment of priorities as between Bonds issued and Outstanding under the provisions of the Bond Resolution; or (f) materially and prejudicially modifying or otherwise materially and prejudicially affecting the rights or privileges of the holders of less than all of the Bonds then Outstanding.

Amendments Not Requiring Consent. The Authority, acting by and through the Board, and the Trustee, notwithstanding the provisions of other sections of this article, and without the consent of or notice to the insurer of the Bonds, if any, or any holder of any Bond, shall consent to any amendment, change, or modification of the Bond Resolution as required: (a) by the provisions of the Bond Resolution; (b) for the purpose of curing any ambiguity or formal defect or omission in the Bond Resolution; (c) in connection with the issuance and delivery of additional bonds or other securities payable from the Net Revenues; or (d) in connection with any other change in the Bond Resolution which, in the judgment of the Trustee and in the opinion of bond counsel to the Authority, is not to the prejudice of the Trustee, the insurer of the Bonds, if any, or the holders of the Bonds or any parity securities then Outstanding.

Resignation and Removal of the Trustee

The Trustee, or any successor, may at any time resign and be discharged of its duties and obligations under the Bond Resolution by giving not less than 60 days written notice to the Authority. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the Authority or holders of Bonds as provided in the Bond Resolution, in which event such resignation shall take effect immediately on the appointment of such successor.

The Trustee, or any successor thereof, may be removed at any time by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, as long as the Authority is not in default pursuant to the terms of the Bond Resolution or any other instrument authorizing the issuance of parity securities, and at any time by the holders of a majority in principal amount of the Bonds and any other bonds payable from Pledged Revenues then Outstanding, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Copies of each such instrument shall be delivered by the Authority to the Trustee and to any successor thereof.

In case the Trustee, or any successor thereof, shall resign or shall be removed or shall become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator, or conservator thereof or of its property shall be appointed, or if any public officer shall take charge or control thereof or of its property or affairs, a successor may be appointed by the Authority, as designated by the TMWA Manager or the Chief Financial Officer, or in the case of removal of the Trustee by the holders, a successor may be appointed by the holders of a majority in principal amount of the then Outstanding Bonds and any other parity bonds payable from Pledged Revenues, which payment is secured by a lien on such revenues, excluding any such bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such holders of such parity bonds or by their attorneys-in-fact duly authorized and delivered to the Authority. Pending such appointment by holders of such bonds, the Authority shall forthwith appoint a successor to act until such appointment is made by the holders of such bonds. Copies of each such instrument and of any instrument of the Authority providing for any such appointment shall be delivered by the Authority to the successor and to the predecessor Trustee. If no appointment of a successor shall be made within 30 days after the Trustee has been removed or resigned or after the occurrence of any other event requiring or authorizing such appointment, any holder of such parity bonds or the trustee of such bonds may apply to any court of competent jurisdiction for the appointment of such a successor, and the court thereupon after such notice, if any, as the court may deem proper and may prescribe, may appoint such successor. Any successor appointed under the provisions of this Section shall be a trust bank and willing and able to accept the appointment on reasonable and customary terms and authorized by law to perform all the duties required by the Bond Resolution.

Certain Provisions Regarding the Insurer

Insurer Treated as Holder. So long as it has not defaulted on its insurance policy with respect to the Bonds, the Insurer, if any, shall be deemed to be the holder of the Bonds as provided below:

1. Consent to Amendments. At any time the consent of a holder of Bond is required for adoption of an amendatory or supplemental instrument, the Insurer, if any, must consent in writing to the adoption of the instrument, which consent must be obtained in lieu of the consents required to be obtained from the holders of the Bonds (and discussed in "Amendment of the Bond Resolution" above).

2. Other Purposes. Following an Event of Default for all other purposes (except payment of the principal of and interest on the Bonds unless the Insurer is entitled to such payment by virtue of its ownership of a Bond or subrogation), until after the curing of all defaults which may theretofore have occurred, the Insurer shall be treated as the holder of all of the Bonds.

Subrogation of Bondholder's Rights. If the principal, or the Redemption Price, if applicable, and interest due on the Bonds shall be paid by the Insurer, if any, the assignment and pledge of Pledged Revenues, and all covenants, agreements, other obligations, liabilities, and duties of the Authority or the Trustee, or both of them, as the case may be, to the holders of the Bonds shall continue to exist; and the Insurer shall be subrogated to the rights and privileges of such holders of the bonds so paid by the Insurer, if any.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2017 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017 Bond documents. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Authority or the Registrar and Paying

Agent. Under such circumstances, in the event that a successor depository is not obtained, 2017 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF APPROVING OPINION OF BOND COUNSEL

Truckee Meadows Water Authority
1355 Capital Boulevard
Reno, Nevada 89502

$147,415,000
Truckee Meadows Water Authority, Nevada
Water Revenue Refunding Bonds
Series 2017

Ladies and Gentlemen:

We have acted as bond counsel to the Truckee Meadows Water Authority in the State of Nevada (herein the "Authority" and the "State", respectively) in connection with its issuance of the "Truckee Meadows Water Authority, Nevada, Water Revenue Refunding Bonds, Series 2017" in the aggregate principal amount of $147,415,000 (the "Bonds"), pursuant to an authorizing resolution adopted and approved by the Board of Directors of the Authority on February 15, 2017 (the "Bond Resolution"). In such capacity, we have examined the Authority's certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Resolution.

Regarding questions of fact material to our opinions, we have relied upon the Authority's certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding, special, limited obligations of the Authority and are payable solely from the Net Revenues pledged therefor under the Bond Resolution.

2. The Bond Resolution creates a valid lien on the Net Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any Parity Securities heretofore and hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Revenues created by the Bond Resolution.

3. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations.

The opinions expressed in this paragraph assume continuous compliance with the covenants and the continued accuracy of the representations contained in the Authority's certified proceedings and in certain other documents and certain other certifications furnished to us.

4. Under the laws of the State in effect on the date hereof, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof, except the tax on estates imposed pursuant to Chapter 375A of NRS and the tax on generation skipping transfers imposed pursuant to Chapter 375B of NRS.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the Authority pursuant to the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In expressing the above opinions, we are relying in part upon a report of certified public accountants verifying the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay all interest when due on the Refunded Bonds and the principal becoming due on the prior redemption thereof or at stated maturity.

In this opinion rendered in our capacity as bond counsel, we are opining only upon those matters set forth herein. We are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds or upon any state or federal tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Bonds, except those specifically addressed herein.

This opinion letter is rendered as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Truckee Meadows Water Authority, Nevada (the "Authority") in connection with the issuance of the Truckee Meadows Water Authority, Nevada, Water Revenue Refunding Bonds, Series 2017, in the aggregate principal amount of $147,415,000 (the "Bonds"). The Bonds are being issued pursuant to the Resolution adopted by the Board of Directors of the Authority on February 15, 2017 (the "Resolution"). The Authority covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC").

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean, initially, the Authority, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Material Events" shall mean any of the events listed in Section 5 of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than nine months following the end of the Authority's fiscal year of each year, commencing nine months following the end of the Authority's fiscal year ending June 30, 2017, provide to the MSRB in electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

(b) If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall file or cause to be filed with the MSRB, a notice in substantially the form attached as Exhibit "A".

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(ii) if the Dissemination Agent is other than the Authority, send written notice to the Authority at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(iii) if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided..

SECTION 4. Content of Annual Reports. The Authority's Annual Report shall contain or incorporate by reference the following:

(a) A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

(b) An update of the information of the type contained in the tables identified by an asterisk (*) in Exhibit "B" hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority or related public entities, which are available to the public on the MSRB's Internet Web Site or filed with the SEC. The Authority shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Authority shall file or cause to be filed with the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults, if material;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(g) Modifications to rights of bondholders, if material;

(h) Bond calls, if material, and tender offers;

(i) Defeasances;

(j) Release, substitution or sale of property securing repayment of the Bonds, if material;

(k) Rating changes;

(l) Bankruptcy, insolvency, receivership or similar event of the obligated person*;

(m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

*** For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.**

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The Authority's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Authority shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 8. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist the Authority in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Authority may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Authority will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no right in any other person or entity.

DATE: April 11, 2017.

TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA

____

Manager

EXHIBIT “A”

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Truckee Meadows Water Authority, Nevada

Name of Bond Issue: Water Revenue Refunding Bonds, Series 2017

Date of Issuance: April 11, 2017.

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution adopted on February 15, 2017 and the Continuing Disclosure Certificate executed on April 11, 2017 by the Issuer. The Issuer anticipates that the Annual Report will be filed by ______________________.

Dated: _____________________

TRUCKEE MEADOWS WATER
AUTHORITY, NEVADA

By:_____________________________
Title:______________________________

EXHIBIT "B"

<u>INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED</u>

(See page -iv- of this Official Statement)

APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the County. It is intended only to provide prospective investors with general information regarding the Authority's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future. The Authority makes no representation as to the accuracy or completeness of data obtained from parties other than the Authority.

Population and Age Distribution

Population. The table below sets forth the population growth of the County and the State since 1970. Between 2000 and 2010, the County's population increased 24.1% and the State's population increased 35.1% over the same time period.

Population

Year	Washoe County	Percent Change	State	Percent Change
1970	121,068	--	488,738	--
1980	193,623	59.9%	800,493	63.8%
1990	254,667	31.5	1,201,833	50.1
2000	339,486	33.3	1,998,257	66.3
2010	421,407	24.1	2,700,551	35.1
2011	421,593	0.0	2,721,794	0.8
2012	427,704	1.4	2,750,217	1.0
2013	432,324	1.1	2,800,967	1.8
2014	436,797	1.0	2,843,301	1.5
2015	441,946	1.2	2,897,585	1.9

Sources: United States Department of Commerce, Bureau of Census (1970-2010 as of April 1st), and Nevada State Demographer's Office (2011-2015 estimates which are subject to periodic revision).

Age Distribution. The following table sets forth a projected comparative age distribution profile for the County, the State and the nation as of January 1, 2017.

Age Distribution

Age	Washoe County	State of Nevada	United States
0-17	22.2%	23.0%	22.8%
18-24	9.1	8.8	9.7
25-34	14.4	13.9	13.4
35-44	12.3	13.4	12.6
45-54	12.9	13.3	13.1
55-64	13.2	12.4	12.9
65-74	10.1	9.4	9.1
75 and Older	5.8	5.8	6.4

Source: © 2017 The Nielsen Company.

Income

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and also the percentage of households by EBI groups. EBI is defined as "money income" (defined below) less personal tax and nontax payments. "Money income" is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

Median Household Effective Buying Income Estimates(1)

Year	Washoe County	State of Nevada	United States
2013	$38,995	$40,617	$41,358
2014	43,623	42,480	43,715
2015	43,766	44,110	45,448
2016	48,459	46,230	46,738
2017	48,320	47,914	48,043

(1) The difference between consecutive years is not an estimate of change from one year to the next; separate combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source: © The Nielsen Company, *SiteReports*, 2013-2017.

Percent of Households by Effective Buying Income Groups – 2017 Estimates

Effective Buying Income Group	Washoe County Households	State of Nevada Households	United States Households
Under $24,999	24.3%	22.6%	24.0%
$25,000 - 49,999	27.3	29.7	28.2
$50,000 - 74,999	20.5	21.2	19.3
$75,000 - 99,999	13.4	13.3	13.0
$100,000 - 124,999	6.3	5.9	6.0
$125,000 - 149,999	3.0	2.7	3.5
$150,000 or More	5.2	4.6	6.0

Source: © 2017 The Nielsen Company.

The following table sets forth the annual per capita personal income levels for the residents of the County, the State and the nation. Per capita personal income levels in the County have consistently exceeded state and national levels during the period shown.

Per Capita Personal Income

Year(1)	Washoe County	State of Nevada	United States
2011	$44,223	$37,979	$42,453
2012	42,734	39,178	44,267
2013	43,046	38,885	44,462
2014	44,778	40,490	46,414
2015	47,584	41,889	48,112

(1) County figures posted November 2016; state and national figures posted September 2016. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The Washoe County average annual labor force summary as prepared by the State's Department of Employment Training and Rehabilitation ("DETR") is as follows:

Average Annual Labor Force Summary
Washoe County, Nevada

Calendar Year	2012	2013	2014	2015	2016
TOTAL LABOR FORCE	221,432	222,043	223,863	228,227	231,581
Unemployment	24,406	20,894	16,938	14,244	11,854
Unemployment Rate(1)	11.0%	9.4%	7.6%	6.2%	5.1%
Total Employment	197,026	201,149	206,925	213,983	219,727

(1) The U.S. unemployment rates for the years 2012-2016 were 8.1%, 7.4%, 6.2%, 5.3%, and 4.9%, respectively.

Sources: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation; and U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in the Reno MSA, Nevada (Washoe and Storey Counties).

Establishment Based Industrial Employment
Reno MSA, Nevada(1)
(Estimates in Thousands)

Calendar Year	2012	2013	2014	2015	2016
Natural Resources and Mining	0.3	0.3	0.2	0.2	0.2
Construction	9.0	10.0	11.6	12.9	14.0
Manufacturing	11.5	12.2	12.7	13.0	12.7
Trade (Wholesale and Retail)	29.8	30.5	31.0	31.9	33.0
Transportation, Warehousing and Utilities	13.0	13.2	14.6	15.9	17.6
Information	2.0	2.0	2.0	2.0	1.9
Financial Activities	9.0	9.5	9.5	10.0	10.3
Professional and Business Services	25.7	26.5	27.2	28.4	30.6
Education and Health Services	22.1	22.7	23.7	24.5	25.4
Leisure and Hospitality (casinos excluded)	19.2	19.9	20.6	21.8	22.2
Casino Hotels	14.7	14.7	14.7	14.4	14.7
Other Services	6.1	6.0	6.1	6.1	6.1
Government	28.5	28.7	28.9	29.3	30.1
TOTAL ALL INDUSTRIES(2)	190.9	196.1	202.7	201.4	218.8

(1) Reno, NV Metropolitan Statistical Area consists of two counties: Storey and Washoe.
(2) Totals may not add due to rounding. All numbers are subject to periodic revision and are non-seasonally adjusted.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The table below lists the largest fifteen employers in the County. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the County.

Largest Employers - Washoe County, Nevada
As of 2nd Quarter - 2016

Employer	Employees	Industry
Washoe County School District	8,500-8,999	Public education
University of Nevada - Reno	4,500-4,999	University
Renown Regional Medical Center	3,000-3,499	Hospital
Washoe County	2,500-2,999	Local government
Peppermill Hotel Casino - Reno	2,000-2,499	Casino hotel
St. Mary's Regional Medical Center	1,500-1,999	Hospital
International Game Technology	1,500-1,999	Manufacturing
Grand Sierra Resort and Casino	1,500-1,999	Casino hotel
Silver Legacy Resort Casino	1,500-1,999	Casino hotel
Atlantis Casino Resort	1,500-1,999	Casino hotel
Circus Circus Casinos Inc. - Reno	1,000-1,499	Casino hotel
Eldorado Hotel & Casino	1,000-1,499	Casino hotel
VA Sierra Nevada Health Care System	1,000-1,499	Hospital
City of Reno	1,000-1,499	Local government
Truckee Meadows Community College	1,000-1,499	Junior college

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table sets forth the firm employment size breakdown for the County.

Size Class of Industries(1)
Washoe County, Nevada
(Non-Government Worksites)

CALENDAR YEAR	2nd Qtr. 2016	2nd Qtr. 2015	Percent Change 2016/2015	Employment Totals 2nd Qtr. 2016
TOTAL NUMBER OF WORKSITES	14,688	13,739	6.9%	181,390
Less Than 10 Employees	11,104	10,235	8.5%	29,304
10-19 Employees	1,780	1,774	0.3	24,359
20-49 Employees	1,210	1,152	5.0	36,173
50-99 Employees	338	343	1.5	23,244
100-249 Employees	188	172	9.3	27,725
250-499 Employees	44	45	(2.2)	14,750
500-999 Employees	14	7	100.0	8,044
1000+ Employees	10	11	(9.1)	17,791

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

Reno and Sparks are the center of a retail trade area that extends 300 miles eastward to Elko and Eureka, Nevada, 274 miles south to Goldfield, Nevada; Bishop and other Inyo County points in California, 100 miles west and northwest to Quincy, Westwood, Susanville, Truckee, Donner Summit and Lake Tahoe areas of California, and north 247 miles to Lakeview, Oregon. The following table sets forth a history of taxable sales in the County.

Taxable Sales in the County

Fiscal Year[1]	Washoe County Total	Percent Change	State Total	Percent Change
2012	$5,522,605,351	--	$42,954,750,131	--
2013	5,824,726,136	5.5%	45,203,408,413	5.2%
2014	6,370,684,534	9.4	47,440,345,167	4.9
2015	6,817,588,648	7.0	50,347,535,591	6.1
2016	7,550,466,734	10.7	52,788,295,421	4.8
Jul-Oct 2015	$2,480,490,676	--	$17,267,720,332	--
Jul-Oct 2016	2,656,869,284	7.1%	18,279,288,705	5.9%

(1) Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada, Department of Taxation.

Construction

The following table sets forth a history of the number of building permits issued in Reno, Sparks and the unincorporated County, and their valuations.

Building Permits
(Value Amounts in Thousands)

Calendar	City of Reno		City of Sparks		Unincorporated Washoe County		Total Washoe County	
Year	Permits	Value	Permits	Value	Permits	Value	Permits	Value
2011	5,570	$255,160	2,078	$ 92,320	1,502	$ 68,417	9,150	$ 415,897
2012	5,454	279,716	2,415	103,146	1,457	103,724	9,326	486,586
2013	6,670	417,313	2,451	140,404	1,597	144,750	10,718	702,467
2014	7,504	662,120	2,818	127,405	1,734	258,498	12,056	1,048,023
2015	8,859	683,068	4,107	232,268	2,119	230,791	15,085	1,146,127
2016[1]	8,158	841,985	3,537	205,137	1,594	211,256	13,289	1,258,378

(1) City of Reno permits issued through November 30, 2016; City of Sparks permits issued through December 31, 2016; and Unincorporated Washoe County permits issued through October 31, 2016. Washoe County Building and Safety Department went live with a new permit program on November 1, 2016, and no new data is available to date.

Sources: Cities of Reno and Sparks Building Departments, and Washoe County Building Department.

Gaming

The economy of the State is heavily dependent upon a tourist industry based on legalized casino gambling. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These bodies investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State.

The County's gross taxable 2016 gaming revenue represents 7.4% of the State's total 2016 gaming revenue. The following table presents a five-year record of gross taxable gaming revenues and total gaming taxes collected on a State-wide basis and in the County.

Gross Taxable Gaming Revenue and Total Gaming Taxes(1)
Washoe County, Nevada

Fiscal Year Ended June 30	Gross Taxable Gaming Revenue(2) State Total	Gross Taxable Gaming Revenue(2) County Total	Percent Change County	Gaming Collection(3) State Total	Gaming Collection(3) County Total	Percent Change County
2012	$ 9,764,332,506	$736,510,136	--	$864,621,791	$58,266,966	--
2013	10,208,528,371	743,348,616	0.93%	892,106,457	61,641,555	5.79%
2014	10,208,211,093	743,004,862	(0.05)	912,371,316	61,093,103	(0.89)
2015	10,511,527,575	765,147,408	2.98	909,857,085	61,900,579	1.32
2016	10,612,567,883	787,280,353	2.89	876,040,147	63,546,194	2.66
Jul 14 – Nov 15	$ 4,320,745,121	$339,544,239	--	$333,009,719	$25,885,978	--
Jul 15 – Nov 16	4,551,279,380	352,700,131	3.87%	338,700,233	26,593,000	2.73%

(1) The figures shown are subject to adjustments due to amended tax filings, fines and penalties.
(2) The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).
(3) Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada, Gaming Control Board.

Convention Activity

The convention business is also an important factor in the area's economy. The Reno-Sparks Convention & Visitors Authority ("RSCVA") operates the Convention Center, the National Bowling Stadium (which is owned by the City of Reno and managed by RSCVA pursuant to an operating agreement), the Wildcreek Golf Course, the Livestock Events Center and the Reno Events Center. RSCVA owns the Incline Village Visitors Center, which is managed solely by private non-profit corporations. The Convention Center currently has 460,000 square feet of enclosed exhibition space and meeting rooms (approximately 381,000 square feet of exhibit space and 79,000 square feet of meeting rooms) plus 55,000 square feet of multi-purpose and pre-function space. The Reno Livestock Events Center primarily hosts equestrian-livestock events. The main buildings include the 60,000 square-foot Main Arena, the Exhibit Hall and the Livestock Pavilion, facilities for livestock, an outdoor Rodeo Arena, a Cutting Arena, 660 horse stalls, several warm-up areas, and parking facilities. The Reno Events

Center is a 118,000 square-foot building, including approximately 55,000 square feet of multipurpose space for concerts, sporting events, large dinners or small conventions and trade shows and approximately 5,000 square feet of flexible space for up to 10 meeting rooms/suites. In addition to the above, area hotels currently offer convention and meeting space.

Historical RSCVA Convention Facility Usage and Attendance

	Convention Center		Livestock Events Center		National Bowling Stadium(1)		Reno Events Center	
Fiscal Year	Number of Events(2)	Estimated Attendance	Number of Events	Estimated Attendance	Number of Events	Estimated Attendance	Number of Events	Estimated Attendance
2012	128	275,837	148	321,875	56	98,158	53	163,018
2013	102	422,042	100	282,357	80	190,791	56	147,489
2014	94	311,235	80	300,000	78	172,717	52	126,979
2015	97	278,213	70	302,413	93	75,684	49	100,015
2016	102	190,007	71	283,174	83	156,932	55	176,402

(1) In each year, the National Bowling Stadium hosted national tournaments -- large events covering approximately four months.
(2) Includes all show activity (conventions, trade shows, public consumer shows, concerts and meetings).

Source: Reno-Sparks Convention and Visitors Authority.

Transportation

The Reno/Sparks area is located at a transportation crossroads. Interstate 80, which runs east-west, and U.S. 395, running north-south, provide adequate routes for trucking and personal transportation. The Union Pacific Railroad operates major rail lines through the County and offers connections to other major rail networks, providing both freight and Amtrak passenger service. Intermodal yards and container freight facilities are located in Sparks. Over 65 motor freight companies serve the Reno/Sparks market and there are approximately 25 licensed common carriers with terminals in Reno/Sparks.

The Reno-Tahoe International Airport (the "Airport") is a medium hub airport owned and operated by the Reno-Tahoe Airport Authority (the "Airport Authority"). The geographical area served by the Airport primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City. The total air trade area for the Airport also includes the Lake Tahoe area and several communities in northeastern California. The Airport generates $2 billion per year for the region according to an economic impact study released by the University of Nevada's College of Business in February 2012. In addition to the revenue, the study states that the Airport and the Reno-Stead Airport, a general aviation facility, generate 22,138 jobs in the state, making the airports a major economic driver for the region. Accordingly, the Airport Authority continues to plan and accommodate airport facility needs.

For calendar year 2015, the Airport served a total of 3.4 million passengers, an increase of 3.9% over 2014. The Airport reported a year-over-year annual passenger growth for the first time since 2005. During the first ten months of 2016, the Airport served 3.1 million passengers, an increase of 6.5% over the same period in 2015. The rise in passenger traffic can be attributed to new flights and an increased seat capacity on certain routes. In addition, a growing regional economy is attracting more travelers to the region. The Airport also reported an overall 7.1% increase in air cargo pounds for the 2015 calendar year over 2014 – a 2015 total of 138.3 million pounds. During the first ten months of 2016, the Airport handled 126.1 million pounds of air cargo, an increase of 15.8% over 2015. The growth in industrial development areas such as the Tahoe-Reno Industrial Center continues to spur cargo growth in Northern Nevada.

.