

Financial Section

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to Basic Financial Statements



**INDEPENDENT AUDITORS' REPORT ON FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Board of Directors
Southern Nevada Water Authority
Las Vegas, NV

We have audited the accompanying financial statements of the Southern Nevada Water Authority (SNWA) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise SNWA's basic financial statements as listed in the table of contents.

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

Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of the basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. Our responsibility is to express an opinion on the basic 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 basic financial statements are free from material misstatement.

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

Opinion. In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of SNWA as of June 30, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 - 3 through 2 - 9 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 our opinion on the financial statements that collectively comprise SNWA's basic financial statements. The introductory section, other supplementary information, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section 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 October 27, 2016, on our consideration of SNWA'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 SNWA's internal control over financial reporting and compliance.

Piercy Boden Taylor : Ken

Las Vegas, Nevada
October 27, 2016

SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

As management of the Southern Nevada Water Authority (SNWA), we offer readers of the SNWA's financial statements this narrative overview and analysis of the financial activities of the SNWA for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the basic financial statements and accompanying notes, which follow this section.

Financial Highlights for 2016

- Total Assets increased \$558.5 million over the prior year totaling approximately \$5.7 billion.
- Total Liabilities increased \$446.7 million over the prior year totaling approximately \$4.0 billion.
- Total Deferred Outflows of Resources increased \$8.8 million over the prior year totaling approximately \$86.1 million. Total Deferred Inflows of Resources decreased \$1.2 million over the prior year totaling approximately \$18.0 million.
- Total Assets and Deferred Outflows of Resources exceeded Total Liabilities and Deferred Inflows of Resources at the close of the fiscal year by approximately \$1.7 billion (net position). Net Position increased during the fiscal year by approximately \$121.8 million.
- Major balance sheet resources were placed into service during fiscal year 2016 reducing Construction Work in Progress by approximately \$1.2 billion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SNWA's basic financial statements, which are comprised of two components: (1) enterprise fund financial statements and (2) notes to the basic financial statements. This Comprehensive Annual Financial Report (CAFR) also contains other supplementary and statistical information in addition to the basic financial statements.

Enterprise fund financial statements. The SNWA's operations are accounted for as a single enterprise fund using the full accrual basis of accounting. In this regard, the SNWA's operations are accounted for in a manner similar to a private business enterprise. Within this fund, the SNWA segregates revenues and expenses in its financial statements for various purposes such as operations, debt service, and capital improvements. This segregation is an internal discipline and does not create physically separate funds.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements. While the information included in the Management's Discussion and Analysis is at a summary level, the notes to the basic financial statements are necessary to achieve a full understanding of the SNWA's financial position.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents statistical information and continuing disclosure information.

Financial analysis. One indication of the financial health of the SNWA is net position, which is the difference between assets and liabilities.

SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

The following table summarizes the Statements of Net Position as of June 30, 2016, 2015, and 2014.

Condensed Statements of Net Position As of June 30, 2016, 2015, and 2014 (In Millions)

	<u>2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>
Assets and Deferred Outflows					
Current and Other Noncurrent Assets	\$ 1,152.7	\$ 443.2	\$ 709.4	\$ 1.6	\$ 707.8
Capital Assets	4,567.7	115.3	4,452.3	106.9	4,345.4
Total Assets	<u>5,720.3</u>	<u>558.5</u>	<u>5,161.8</u>	<u>108.6</u>	<u>5,053.2</u>
Deferred Outflows of Resources	86.1	8.8	77.3	21.7	55.5
Total Assets and Deferred Outflows of Resources	<u>\$ 5,806.4</u>	<u>\$ 567.4</u>	<u>\$ 5,239.0</u>	<u>\$ 130.3</u>	<u>\$ 5,108.7</u>
Liabilities and Deferred Inflows					
Current Liabilities	\$ 547.0	\$ 23.5	\$ 523.4	\$ 41.1	\$ 482.3
Noncurrent Liabilities	3,502.9	423.2	3,079.7	3.0	3,076.7
Total Liabilities	<u>4,049.9</u>	<u>446.7</u>	<u>3,603.1</u>	<u>44.1</u>	<u>3,559.1</u>
Deferred Inflows of Resources	18.0	(1.2)	19.1	(1.1)	20.3
Net Position					
Net Investments in Capital Assets	1,198.5	96.9	1,101.5	48.0	1,053.5
Restricted for Debt Service / Capital Assets	15.8	(5.7)	21.5	0.8	20.7
Unrestricted	524.3	30.6	493.7	38.6	455.2
Total Net Position	<u>1,738.6</u>	<u>121.8</u>	<u>1,616.8</u>	<u>87.4</u>	<u>1,529.4</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 5,806.4</u>	<u>\$ 567.4</u>	<u>\$ 5,239.0</u>	<u>\$ 130.3</u>	<u>\$ 5,108.7</u>

(Totals may not add due to rounding.)

Total Assets increased by approximately \$558.5 million (10.8%) in fiscal year 2016 and increased approximately \$108.6 million (2.1%) in fiscal year 2015. The fiscal year 2016 increase is primarily attributed to a bond issuance which included \$520.0 million to fund the construction of the low lake level pumping station. The fiscal year 2015 increase can be mainly attributed to the increase in Construction Work in Progress and a stronger collection of capital contributions. For fiscal year 2016, Current and Other Noncurrent Assets increased \$443.2 million (62.5%), as did Capital Assets by \$115.3 million (2.6%). For fiscal year 2015, Current and Other Noncurrent Assets increased \$1.6 million (0.2%), as did Capital Assets by \$106.9 million (2.5%). The fluctuations in fiscal years 2016 and 2015 within Total Assets are largely due to expenditures on capital assets.

SOUTHERN NEVADA WATER AUTHORITY

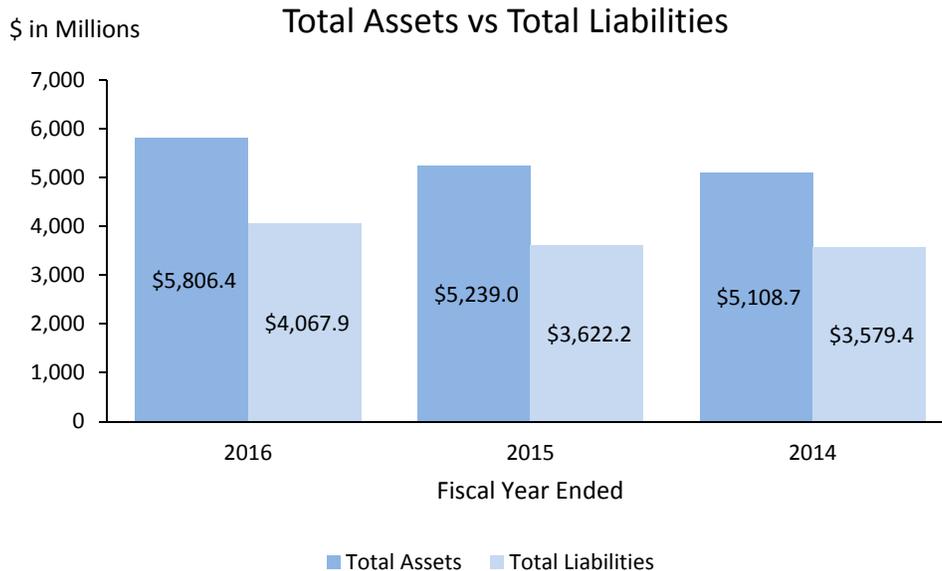
Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

Total Deferred Outflows of Resources increased approximately \$8.8 million (11.4%) in fiscal year 2016, which is mainly caused by the addition of the deferred amount related to the pension due to the Las Vegas Valley Water District (LVVWD) and is offset by the results of bond refunding activities. Total Deferred Outflows of Resources increased \$21.7 million (39.1%) in fiscal year 2015, which resulted from bond refunding activities.

Total Liabilities increased approximately \$446.7 million (12.4%) in fiscal year 2016 and increased approximately \$44.1 million (1.2%) in fiscal year 2015. In fiscal year 2016, Current Liabilities increased \$23.5 million (4.5%) as did Noncurrent Liabilities by \$423.2 million (13.7%). In fiscal year 2015, Current Liabilities increased \$41.1 million (8.5%) as did Noncurrent Liabilities by \$3.0 million (0.1%). The changes in fiscal years 2016 and 2015 were primarily attributable to bond refunding activities and increases in Due to Related Party as a result of the LVVWD implementing GASB 68.

Total Deferred Inflows of Resources decreased approximately \$1.2 million (6.3%) in fiscal year 2016 and \$1.1 million (5.6%) in fiscal year 2015. The decrease in both fiscal years resulted from normal amortization of Deferred Amount - Bond Refundings.

Net Position increased \$121.8 million (7.5%) in fiscal year 2016 mainly due to increased capital contributions and a one-time sale of water. Net Position increased \$87.4 million (5.7%) in fiscal year 2015 as a result of increased capital contributions.



SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

The following table summarizes the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2016, 2015 and 2014.

Condensed Statements of Revenues, Expenses, and Change in Net Position For the Fiscal Years Ended June 30, 2016, 2015, and 2014 (In Millions)

	<u>2016</u>	<u>Change</u>	<u>2015</u>	<u>Change</u>	<u>2014</u>
Operating Revenues					
Wholesale Delivery Charges	\$ 125.1	\$ 4.0	\$ 121.1	\$ 0.1	\$ 121.0
Other Revenues	51.1	45.8	5.3	(0.2)	5.5
Total Operating Revenues	<u>176.1</u>	<u>49.7</u>	<u>126.4</u>	<u>(0.2)</u>	<u>126.6</u>
Operating Expenses					
Personnel and Related	56.3	6.3	50.0	(0.3)	50.2
Energy	39.3	4.3	35.1	(18.3)	53.4
Depreciation	90.8	15.0	75.8	(0.1)	75.9
Operating and Maintenance	39.3	(3.1)	42.5	8.0	34.5
Total Operating Expenses	<u>225.8</u>	<u>22.5</u>	<u>203.3</u>	<u>(10.7)</u>	<u>214.0</u>
Total Operating Loss	<u>(49.6)</u>	<u>27.3</u>	<u>(76.9)</u>	<u>10.5</u>	<u>(87.4)</u>
Nonoperating Revenues (Expenses)					
Investment Income and Other	4.1	2.4	1.7	(0.7)	2.4
Nonoperating expenses	(133.3)	(76.4)	(56.9)	(9.2)	(47.7)
Total Nonoperating Revenues (Expenses)	<u>(129.3)</u>	<u>(74.1)</u>	<u>(55.2)</u>	<u>(9.8)</u>	<u>(45.4)</u>
Loss Before Capital Contributions	(178.9)	(46.8)	(132.0)	0.7	(132.8)
Capital Contributions	300.7	18.8	281.9	44.1	237.8
Change in Net Position	<u>121.8</u>	<u>\$ (28.1)</u>	<u>149.9</u>	<u>\$ 44.8</u>	<u>105.1</u>
Net Position, beginning of the year, as previously reported	1,616.8		1,529.4		1,424.3
Prior Period Adjustment - Due to Related Party	-		(62.5)		-
Net Position - beginning of the year, as adjusted	1,616.8		1,466.9		-
Net Position End of Year	<u>\$ 1,738.6</u>		<u>\$ 1,616.8</u>		<u>\$ 1,529.4</u>

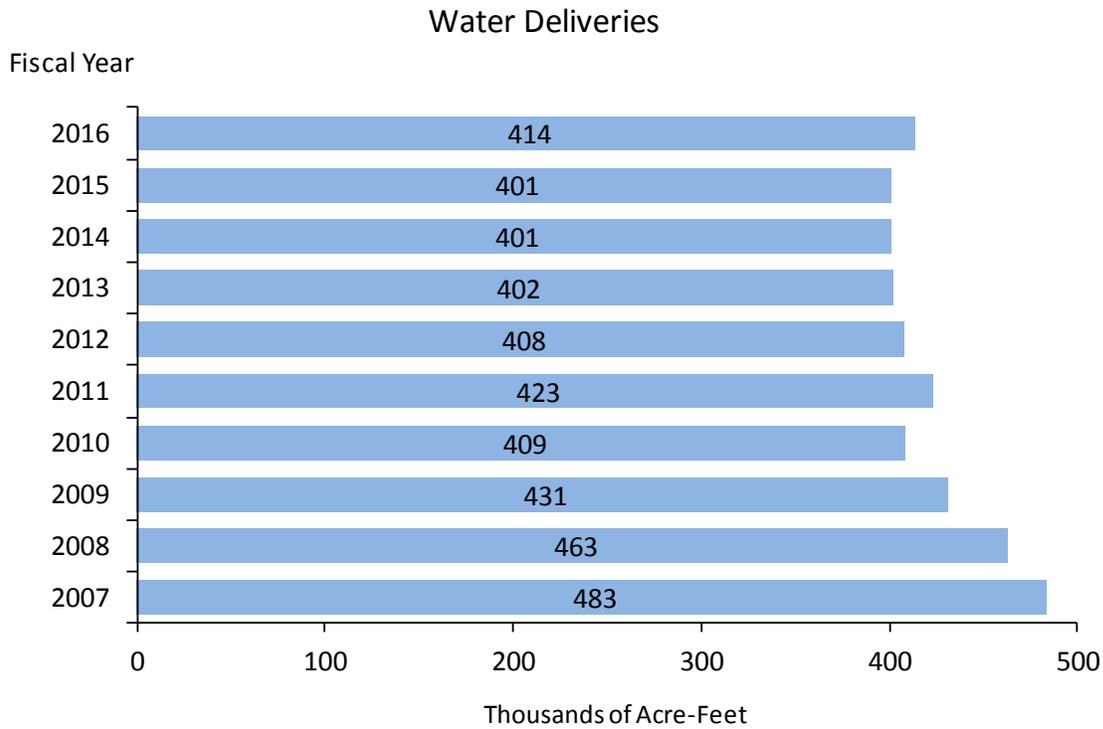
(Totals may not add due to rounding.)

In fiscal year 2016 the Operating Revenues increased by approximately \$49.7 million (39.4%). In fiscal year 2015 the Operating Revenues decreased by approximately \$0.2 million (0.1%). While Wholesale Delivery Charge revenues have remained consistent over the years, Other Revenues increased in fiscal year 2016 approximately \$45.8 million (864.3%) from a one-time sale of water to the Metropolitan Water District of Southern California.

SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

The chart below shows water delivery volume over the past ten fiscal years.



The Personnel and Related expenses for fiscal year 2016 increased \$6.3 million (12.6%), which is due to a greater allocation of salaries and wages from the LVVWD. The Personnel and Related expenses for fiscal year 2015 remained consistent with the previous fiscal year 2014.

Energy costs increased \$4.3 million (12.2%) in fiscal year 2016 when compared to fiscal year 2015, which is mainly attributable to higher energy demands. Energy costs decreased \$18.3 million (34.3%) in fiscal year 2015 when compared to fiscal year 2014, which was primarily due to one-time payments related to the Silverhawk Power Plant for transmission costs and a termination payment.

Depreciation expenses for fiscal year 2016 increased approximately \$15.0 million (19.9%) as a result of a large amount of capital assets that were put into service. Depreciation expenses for fiscal year 2015 remained consistent with the previous year.

Operating and Maintenance expenses decreased \$3.1 million (7.3%) in fiscal year 2016 and increased \$8.0 million (23.2%) in fiscal year 2015. The fluctuations over fiscal years 2016, 2015, and 2014 is primarily explained by the cancellation of a geothermal resource development project in Construction Work in Progress in fiscal year 2015.

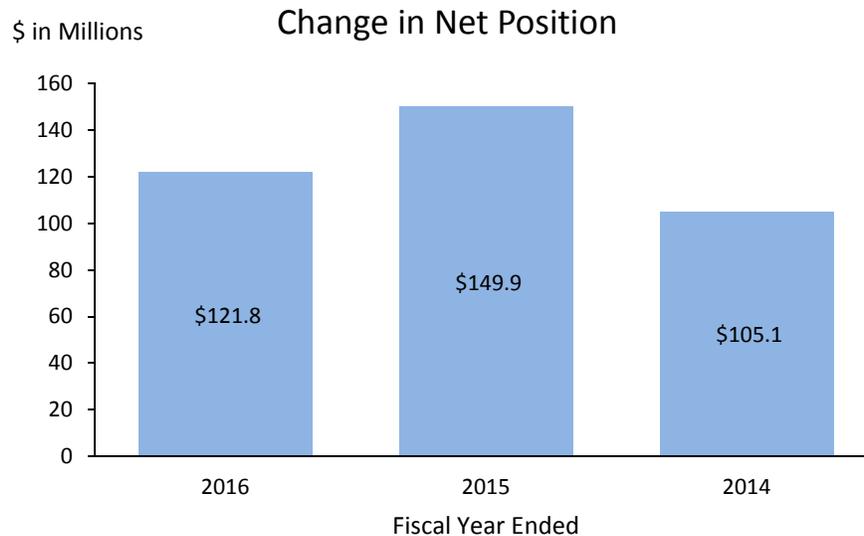
Nonoperating revenue increased \$2.4 million (140.1%) in fiscal year 2016, primarily due to an increase in funds available for investment related to the \$520.0 million raised from a bond issuance. Nonoperating revenue decreased \$0.7 million (28.3%) in fiscal year 2015, mainly related to less funds available for investment.

SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

Nonoperating expenses increased \$76.4 million (134.4%) in fiscal year 2016, mainly because the portion of interest to be capitalized significantly decreased as large projects in Construction Work in Progress were put into service. Nonoperating expenses increased \$9.2 million (19.2%) in fiscal year 2015, mainly due to the interest expense of the 2012B bonds, which was capitalized in the prior two fiscal years, and the fiscal year 2015 refunding activities.

Capital Contributions increased \$18.8 million (6.7%) in fiscal year 2016 and increased \$44.1 million (18.5%) in fiscal year 2015. These increases are explained by further implementation of rate increases and improved Regional Connection Charges due to an improved local economy.



Capital Asset and Debt Administration

Capital Assets. The SNWA's investment in capital assets as of June 30, 2016, amounted to approximately \$4.6 billion, net of accumulated depreciation. The investment in capital assets includes land, transmission and distribution lines, pumping stations and equipment, water rights, and other natural resources rights. Major construction expenditures in fiscal year 2016 totaled approximately \$154.3 million. Contract commitments total approximately \$214.7 million. See Note 7 to the basic financial statements for additional information on the types and values of the SNWA's capital assets.

Debt Administration. At the end of fiscal year 2016, the SNWA had general obligation debt totaling approximately \$3.9 billion. Details concerning all debt issues can be found in Note 14 and 16 to the basic financial statements.

Economic Factors and Next Year's Goals

The SNWA's financial outlook continues to remain favorable. The economic environment of Las Vegas and Clark County has improved steadily over the past several years. The 2008 recession was the first time in decades that the Las Vegas area has experienced a sustained period of little or no growth. As a result, there was very limited demand for new service connections within the SNWA service area. Growth has returned to the area, but at a more reasonable pace than Las Vegas experienced in the 1990s and early 2000s. Management continues to review the financial conditions of the area and actively takes steps to ensure the SNWA's financial stability.

SOUTHERN NEVADA WATER AUTHORITY

Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

One of the greatest challenges currently facing southern Nevada continues to be the multi-year drought affecting the Colorado River basin. The amount of water in Lake Mead has declined substantially since the year 2000. As of June 30 2016, the lake level was 1,072 feet, which is 36% of capacity. While this level is above the SNWA's two intakes, drawing water closer to the surface creates water quality challenges. In response, the SNWA is working within Nevada and with other Colorado River Basin states to develop solutions to weather the drought. The SNWA completed the third intake into Lake Mead and is currently constructing a low lake level pumping station to help ensure continued access to its Colorado River allocation should lake levels decline.

In 2014, the SNWA engaged a citizens' advisory committee to review drought conditions on the Colorado River and their impact on southern Nevada's water supply. That committee made formal recommendations to the Board in November 2014. On December 10, 2014, the Board adopted those recommendations. Among those recommendations were (1) to construct a new low lake level pumping station and (2) increase the Regional Infrastructure Charge rates to fund the new low lake level pumping station, projected to cost \$650.0 million. Although this project will take several years to complete, it will constitute a significant portion of next year's goals.

Requests for Information

This financial report is designed to provide a general overview of the SNWA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Southern Nevada Water Authority, 1001 South Valley View Boulevard, Mail Stop 320, Las Vegas, Nevada, 89107.

The CAFR can also be viewed at www.snwa.com. The website contains other financial and operational information pertaining to the SNWA as well as helpful information concerning conservation and water issues.

SOUTHERN NEVADA WATER AUTHORITY
ENTERPRISE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

ASSETS	2016	2015
CURRENT ASSETS		
Current Assets - Restricted		
Investments	\$ 535,735,063	\$ 127,231,969
Sales Tax Receivable	16,450,645	15,857,194
Total Current Assets - Restricted	552,185,708	143,089,163
Current Assets - Unrestricted		
Cash and Cash Equivalents	29,380,229	35,830,190
Investments	393,331,388	340,674,457
Due From Member Agencies	41,078,027	41,004,519
Other Receivables	2,981,344	8,603,384
Other Current Assets	47,552,122	54,001,548
Total Current Assets - Unrestricted	514,323,110	480,114,098
Total Current Assets	1,066,508,818	623,203,261
NONCURRENT ASSETS		
Capital Assets		
Capital Assets Subject to Depreciation		
Property, Plant and Equipment	4,370,802,831	3,057,699,286
Accumulated Depreciation	(1,181,350,555)	(1,091,391,818)
Net Capital Assets Subject to Depreciation	3,189,452,276	1,966,307,468
Capital Assets Not Subject to Depreciation		
Land	142,164,137	118,709,095
Natural Resource Rights	499,715,379	394,798,979
Construction Work in Progress	736,327,596	1,972,520,947
Net Capital Assets Not Subject to Depreciation	1,378,207,112	2,486,029,021
Total Net Capital Assets	4,567,659,388	4,452,336,489
Other Noncurrent Assets		
Water Recharge Inventory	86,153,987	86,232,896
Total Noncurrent Assets	4,653,813,375	4,538,569,385
TOTAL ASSETS	5,720,322,193	5,161,772,646
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amount - Bond Refundings	75,248,489	77,263,332
Deferred Amount - Related Party	10,815,978	-
Total Deferred Outflows of Resources	86,064,467	77,263,332
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,806,386,660	\$ 5,239,035,978

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEVADA WATER AUTHORITY
ENTERPRISE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

LIABILITIES AND NET POSITION	2016	2015
CURRENT LIABILITIES		
Accounts Payable	\$ 20,674,652	\$ 24,391,578
Accrued Interest Payable	20,112,588	13,569,344
Pending Regional Connection Charge Refunds	-	1,420,210
Current Portion of Notes Payable	1,339,977	1,293,711
Current Portion of Bonds Payable	104,841,540	82,751,540
Short Term Debt Payable	400,000,000	400,000,000
Total Current Liabilities	546,968,757	523,426,383
NONCURRENT LIABILITIES		
Due to Related Party	80,611,281	67,664,712
Notes Payable, Net of Current Portion	5,324,635	6,664,612
Bonds Payable, Net of Current Portion, and Unamortized Premiums and Discounts	3,416,952,828	3,005,373,539
Total Noncurrent Liabilities	3,502,888,744	3,079,702,863
TOTAL LIABILITIES	4,049,857,501	3,603,129,246
DEFERRED INFLOWS OF RESOURCES		
Deferred Amount - Bond Refundings	17,951,166	19,147,911
NET POSITION		
Net Investments in Capital Assets	1,198,480,405	1,101,533,047
Restricted for Debt Service / Capital Assets	15,769,806	21,491,395
Unrestricted	524,327,782	493,734,379
Total Net Position	1,738,577,993	1,616,758,821
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 5,806,386,660	\$ 5,239,035,978

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEVADA WATER AUTHORITY
ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Wholesale Delivery Charges	\$ 125,054,059	\$ 121,100,263
Groundwater Management Fees	928,893	882,331
Administration Costs Recoveries	551,852	472,786
Las Vegas Wash Revenues	411,893	404,578
Other Revenues	49,201,788	3,538,758
Total Operating Revenues	<u>176,148,485</u>	<u>126,398,716</u>
OPERATING EXPENSES		
Personnel and Related	56,252,596	49,951,688
Energy	39,333,766	35,071,725
Depreciation	90,824,289	75,774,807
Operating and Maintenance	39,349,790	42,471,373
Total Operating Expenses	<u>225,760,441</u>	<u>203,269,593</u>
OPERATING LOSS	<u>(49,611,956)</u>	<u>(76,870,877)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	3,852,256	1,592,657
Interest Expense (Net of BAB Subsidy of \$2,071,952 and \$6,363,580)	(134,359,904)	(54,939,795)
Amortization of Refunding Costs	(4,581,254)	(3,492,409)
Bond Issue and Commercial Paper Costs	(4,378,509)	(3,299,596)
Amortization of Bond Premiums and Discounts	10,008,610	4,868,091
Other	198,903	94,294
Total Nonoperating Revenues (Expenses)	<u>(129,259,898)</u>	<u>(55,176,758)</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(178,871,854)	(132,047,635)
Capital Contributions	300,691,026	281,927,406
CHANGE IN NET POSITION	<u>121,819,172</u>	<u>149,879,771</u>
NET POSITION - BEGINNING OF THE YEAR, AS PREVIOUSLY REPORTED	1,616,758,821	1,529,385,937
PRIOR PERIOD ADJUSTMENT - DUE TO RELATED PARTY	-	(62,506,887)
NET POSITION - BEGINNING OF THE YEAR, AS ADJUSTED	1,616,758,821	1,466,879,050
NET POSITION - END OF THE YEAR	<u>\$ 1,738,577,993</u>	<u>\$ 1,616,758,821</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEVADA WATER AUTHORITY
ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
General and Administrative / Resources Charges	\$ 46,883,737	\$ 1,347,895
Groundwater Management Fees	928,893	882,331
Las Vegas Wash Revenues	411,893	404,578
Wholesale Delivery Charges	124,618,354	121,868,607
Other Revenues	2,897,024	2,719,445
Cash Payments to Suppliers of Goods and Services	<u>(109,221,242)</u>	<u>(127,219,253)</u>
Net Cash Provided by Operating Activities	<u>66,518,659</u>	<u>3,603</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase or Construction of Capital Assets	(127,721,382)	(112,283,126)
Proceeds from Disposal of Property and Equipment	198,903	100,287
Proceeds of Debt Issuance	444,545,000	-
Principal Paid on Debt	(84,045,251)	(24,290,584)
Interest Paid on Debt (Net of BAB Subsidy of \$2,084,418 and \$6,180,260)	(138,772,162)	(143,343,132)
Capital Contributions	<u>289,597,177</u>	<u>261,381,108</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>383,802,285</u>	<u>(18,435,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investment Securities	(1,697,230,549)	(276,844,584)
Proceeds from Sales or Maturities of Investment Securities	1,235,417,656	263,629,000
Investment Earnings	<u>5,041,988</u>	<u>9,492,141</u>
Net Cash Used In Investing Activities	<u>(456,770,905)</u>	<u>(3,723,443)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,449,961)	(22,155,287)
Cash and Cash Equivalents, Beginning of Year	<u>35,830,190</u>	<u>57,985,477</u>
Cash and Cash Equivalents, End of Year	<u>\$ 29,380,229</u>	<u>\$ 35,830,190</u>
RECONCILIATION OF OPERATING LOSS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (49,611,956)	\$ (76,870,877)
Depreciation	90,824,289	75,774,807
Expenses Related to Expansion Programs	12,858,154	11,390,851
Changes in Assets and Liabilities		
Decrease in Due from Member Agencies	869,699	1,991,134
Decrease in Other Receivables	2,843,746	1,216,612
(Increase) / Decrease in Other Current Assets	6,449,426	(12,539,307)
Decrease in Water Recharge Inventory	78,909	111,749
Increase / (Decrease) in Accounts Payable	75,801	(2,110,325)
Increase in Deferred Amount - Related Party	(10,815,978)	-
Increase in Due to Related Party	<u>12,946,569</u>	<u>1,038,959</u>
Net Cash Provided by Operating Activities	<u>\$ 66,518,659</u>	<u>\$ 3,603</u>
NONCASH INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES:		
Changes in Fair Value of Investments	\$ 1,356,451	\$ 3,188,426
Deferred (Gain)/Loss on Refunded Bonds	14,933,132	33,799,124
Refunding Bonds Issued	(317,195,000)	(552,165,000)
Bonds Refunded	369,430,000	601,010,000
Contributed Capital	1,764,305	(9,155,447)

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Southern Nevada Water Authority (SNWA) is a political subdivision of the State of Nevada (State) and is therefore the reporting entity. The SNWA was created on July 25, 1991, pursuant to Nevada Revised Statutes (NRS) Chapter 277.080 to 277.180, inclusive, by a cooperative agreement and a facilities and operations agreement among its member agencies. These agencies include the Big Bend Water District, City of Boulder City, City of Henderson, City of Las Vegas, City of North Las Vegas, Clark County Water Reclamation District, and the Las Vegas Valley Water District (LVVWD). The cooperative agreement was last amended in 2005. The facilities and operations agreement was last amended in 2012.

The SNWA was created to secure additional supplies of water for southern Nevada and to effectively manage existing supplies of water through the cooperative action of its member agencies. A seven-member Board of Directors (Board) comprised of one Director from each member agency governs the SNWA equally. The SNWA operations are autonomous from its member agencies and the State, and its financial statements are not included in the financial statements of any other entity.

The Board has the power to periodically assess its member agencies directly for operating expenses and capital expenditures and for the satisfaction of any liabilities imposed against the SNWA. In 1991, each member agency made an initial contribution to the SNWA for operating and administrative expenses in the amount of \$15,000. Assessments for additional funds needed by the SNWA, in accordance with approved operating and capital budgets, have been apportioned to its member agencies on the basis of water deliveries to those agencies. Funding received by the SNWA from its member agencies for operations is recorded as operating revenue, while funding received for capital improvement programs and other expansion related programs are recorded as capital contributions. Member agencies that are not potable water purveyors (the City of Las Vegas and the Clark County Water Reclamation District) each contributed \$35,000 to the SNWA operations during the fiscal years ended June 30, 2016 and 2015.

Operating Agent (LVVWD) (Related Party Disclosure)

The Board has the responsibility to appoint a General Manager. The Board designated the LVVWD's General Manager as the General Manager of the SNWA in 1993. Simultaneously, the LVVWD was named the operating agent for the SNWA.

The LVVWD allocates a portion of its payroll costs to the SNWA for the LVVWD employees who are utilized on SNWA-related matters and also pays certain costs and operating expenses on behalf of the SNWA. The SNWA has no employees of its own.

During the mid-1990s, the LVVWD paid substantially all operating and capital expenses on behalf of the SNWA, and the SNWA reimbursed the LVVWD monthly. In the late 1990s, to mitigate potential cash flow demands on the LVVWD under this arrangement, the SNWA began paying construction contracts directly, assumed responsibility for paying construction contract retention and paid most of the cost of power required to operate the Southern Nevada Water System. In 2008, the SNWA advanced a total of \$19.0 million to the LVVWD to fund future SNWA-related operating expenses made on its behalf. The advance is replenished monthly and will be applicable throughout the SNWA's and LVVWD's operating agent relationship. The SNWA also pays large recurring expenses that it deems would be detrimental to the LVVWD's cash flow.

The LVVWD hires all employees utilized by the SNWA. Consequently, any financial reporting requirements regarding employees utilized by the SNWA, including but not limited to reporting on pension and other postemployment benefits, can be found in the LVVWD's Comprehensive Annual Financial Report (CAFR).

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal years ended June 30, 2016 and 2015

The LVVWD has no control over the SNWA's operation or finances. The SNWA is autonomous from the LVVWD, does not include the LVVWD's information within its own financial statements, nor is the SNWA's information included in the LVVWD's financial statements.

The LVVWD is a quasi-municipal corporation created under a special act of the Nevada State legislature in 1947 for the purpose of obtaining and distributing water primarily in the Las Vegas Valley, which includes the metropolitan area of Clark County and the City of Las Vegas. A complete copy of the LVVWD's CAFR can be found at www.lvwwd.com or can be obtained by mailing a request to the SNWA.

Southern Nevada Water System

Effective January 1996, pursuant to Assembly Bill No. 542, approved by the Nevada Legislature in 1995 (the Transfer Act), the assets of the Southern Nevada Water System (SNWS), as well as certain liabilities and responsibility for operation of the SNWS, were transferred from the Colorado River Commission (CRC) to the SNWA. Along with the transfer of these assets, the CRC transferred all books and records in its possession relating to the SNWS and its facilities.

Fund Accounting

The accompanying basic financial statements are reported on the basis of fund accounting. A fund is a fiscal and accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses.

Enterprise Fund

The SNWA operations have been accounted for as a single enterprise fund. Enterprise fund operations are presented using the full accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when revenues are received or expenses are paid. In this regard, the SNWA operations are accounted for in a manner similar to a private business enterprise, where the intent of the governing body is that the costs of providing goods and services to customers on a continuing basis are financed or recovered primarily through user charges, and its financial measurement focus is on determination of net income, financial position, and cash flows. The SNWA is guided by the pronouncements of the Governmental Accounting Standards Board (GASB). As an enterprise fund, and as permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the SNWA applies the requirements of the Financial Accounting Standard Board Statements, Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates by management. Such estimates primarily relate to unsettled transactions and events as of the date of the basic financial statements. Actual results could differ significantly from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and cash on deposit with financial institutions, including time deposits (Note 2). Authorized investments are described in Note 3. Investments with maturity dates of less than one year when purchased are stated at par. Premiums and discounts are amortized over the remaining life of the investment instrument. Investments with a maturity date in excess of one year when purchased are reported at estimated fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (Note 3).

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Restricted Assets

Restricted assets include unused bond proceeds and sales tax proceeds which are externally restricted by bond covenants and Nevada Revised Statutes, respectively.

Inventories

Inventories of supplies are recorded at cost, whereas inventories held for resale are recorded at lower of cost or market based on periodic reviews. Reduction of inventory is recorded using the first-in, first-out accounting method. Inventories are included in other current assets (Note 6).

Capital Assets

Property, plant, equipment, and land (Note 7) are carried at historical cost if purchased, or at engineering estimates of fair value at the time received if donated. Expenditures for improvements and betterments (including labor, overhead and net interest costs) are capitalized. Generally, the SNWA capitalizes assets with a cost greater than \$10,000 and a useful life greater than three years.

Depreciation of property, plant and equipment is computed using the straight-line method over the estimated service lives of the respective assets. Major utility plant categories and their estimated service lives are as follows:

Structures and Improvements	10 to 20	Years
Pumping Stations and Wells	40	Years
Transmission / Distribution / Mains	50 to 75	Years
Office Furniture and Equipment	5 to 15	Years
Transportation / Equipment	5 to 10	Years
Power Plant	30	Years
Northern Resource Assets	5 to 27.5	Years

Revenues

Operating revenues include wholesale delivery charges, groundwater management fees, administration cost recoveries, Las Vegas Wash fees and other ancillary revenues. During the fiscal year ended June 30n 2016, the Wholesale Delivery Charge, was \$303 per acre-foot (AF) of treated Colorado River water delivered to the purveyor members of the SNWA. The wholesale delivery charge is designed to fund operation and maintenance of the SNWS, as well as the SNWA administration. The SNWA also charged \$232 per AF for raw Colorado River water delivered to the City of Boulder City for use on golf courses. For the fiscal year ended 2016, groundwater management fees consist of an annual fee of \$13 per AF of permitted groundwater rights or \$13 per domestic well. Administration cost recoveries are amounts charged to member agencies of the SNWA that do not physically take potable water from the SNWS. These costs vary by purveyor and are designed to help compensate the SNWA for administration costs associated with their membership. Las Vegas Wash fees consist of contributions from other local governments towards operating costs of the Las Vegas Wash Coordination Committee. Other revenues consist primarily of sales made from the SNWA's northern resource properties' activities.

Nonoperating revenues consist of investment income (net of amounts capitalized) and a minimal amount of other miscellaneous items.

Expenses

Operating expenses include the costs of personnel allocations from the LVVWD, energy costs, and other costs associated with the operation and maintenance of the SNWS, as well as the SNWA administration and depreciation.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Nonoperating expenses include interest expense (net of amounts capitalized) as well as amortization of deferred amount on debt refundings and discounts.

Capital Contributions

Capital contributions include various monies that the SNWA receives which are restricted for use in the capital improvement programs and other expansion related programs (Note 17).

Litigation Defense Costs

The SNWA does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters, but rather records such as period costs when services are rendered. See Note 13 for further information.

Water Rights Holding Company

In 1999, the Board established Muddy River Water Holdings, Inc., a non-profit corporation authorized to facilitate the acquisition and holding of water rights stock and stock options. This corporation holds any stock purchased by the SNWA that represents water rights.

New Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal years beginning after December 15, 2015. Earlier application is encouraged. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The SNWA does not expect the adoption of Statement No. 77 to affect the SNWA's financial position, results of operations, or cash flow.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which is effective for fiscal years beginning after June 15, 2016, except for the provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for fiscal years beginning after December 15, 2015. Early application is encouraged. The primary objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The Statement also establishes note disclosure requirements for qualifying pools and for participants in those pools. The SNWA is currently evaluating how the adoption of Statement No. 79 will affect the SNWA's financial position, results of operations, or cash flow.

Other recent accounting standards issued by the GASB, are not believed to have an effect on the SNWA's present or future financial position, results of operations, or cash flows.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposit accounts containing restricted and unrestricted cash. Cash balances as of June 30, 2016 and 2015, were \$29.4 million and \$35.8 million respectively. The SNWA bank balances as of June 30, 2016, and 2015, were \$30.5 million and \$36.4 million respectively.

On July 22, 2003, the Nevada State Assembly approved an amendment to NRS 356.020 establishing a Nevada State Treasurer's Pooled Collateral Program for local governments. The primary objective of the collateral pool is to reduce the risk for government agencies, while at the same time decrease the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the State Treasurer's Office, both

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal years ended June 30, 2016 and 2015

government agencies and depositories realize cost savings in terms of operational support and collateral efficiency. The bank utilized by the SNWA participates in the pool by pledging securities for the SNWA monies on deposit. The collateral pool for public fund deposits administered and monitored by the Nevada State Treasurer's Pooled Collateral Office requires depository banks to place acceptable securities of no less than 102% of the market value of the aggregate total deposits of public entities in Nevada with a third party custodian.

NOTE 3. INVESTMENTS

The SNWA's investment policy limits investments and risks to those permitted under the laws of the State of Nevada. The investments and risks authorized by NRS 355.170 relevant to SNWA investments are as follows:

- Bonds, debentures, bills, and notes of United States (U.S.), the maturity dates of which are not more than ten years after the date of purchase.
- Farm loan bonds, consolidated farm loan bonds, debentures, consolidated debentures and other obligations issued by federal land banks and federal intermediate credit banks under the authority of the Federal Farm Loan Act and bonds debentures, consolidated debentures and other obligations issued by banks for cooperatives under the authority of the Farm Credit Act of 1933.
- Obligations of an agency or instrumentalities of the U.S. or a corporation sponsored by the government, the maturity dates of which are not to exceed ten years after the date of purchase.
- Negotiable certificates of deposit (CDs) issued by commercial banks, insured credit unions, or savings and loan associations. Credit quality ratings and percentage allowed of total investments are not specified.
- Nonnegotiable CDs issued by insured commercial banks, insured credit unions, or insured savings and loan associations, except certificates that are not within the limit of insurance provided by an instrumentality of the U.S. unless those certificates are appropriately collateralized.
- Negotiable notes medium-term obligations issued by local governments of the State of Nevada.
- Obligations of state and local governments if (1) the interest on the obligation is exempt from gross income for federal income tax purposes and (2) the obligation has been rated "A" or higher by one or more nationally recognized bond credit rating agencies.
- Commercial paper issued by a corporation organized and operating in the U.S. or by a depository institution licensed by the U.S. or any state and operating in the U.S. that (1) is purchased from a registered broker-dealer; (2) has a remaining term to maturity at the time of purchase of no more than 270 days; and (3) is rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better, except that investments in commercial paper may not, in aggregate value, exceed 20% of the total portfolio as determined on the date of purchase. If the rating of the obligation is reduced to a level that does not meet the requirements, it must be sold as soon as possible.
- Obligations of the Federal Agricultural Mortgage Corporation.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

The SNWA's investments were as follows:

<u>Investment Type</u>	<u>Estimated Fair Value</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
U.S. Agency Non-Callable Bonds	\$ 435,368,213	\$ 147,016,420
Negotiable Certificates of Deposit	140,055,961	720,580
U.S. Treasury Notes	138,660,560	243,976,120
Commercial Paper	114,775,308	49,985,914
U.S. Agency Discount Notes	79,064,780	24,097,460
U.S. Agency Callable Bonds	20,072,500	-
Municipal Bonds	1,069,129	2,109,932
Total	<u>\$ 929,066,451</u>	<u>\$ 467,906,426</u>

Credit Risk

As of June 30, 2016, the SNWA's investment ratings and estimated fair values were as follows:

<u>Investment Type</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fair Value</u>
U.S. Agency Non-Callable Bonds	AA+	Aaa	\$ 435,368,213
Negotiable Certificates of Deposit	A-1+	P-1	85,036,403
U.S. Agency Discount Notes	A-1+	P-1	64,887,400
Commercial Paper	A-1+	P-1	74,834,731
Negotiable Certificates of Deposit	A-1	P-1	55,019,558
Commercial Paper	A-1	P-1	39,940,577
U.S. Agency Callable Bonds	AA+	Aaa	20,072,500
U.S. Agency Discount Notes	Unrated	Unrated	14,177,380
Municipal Bonds	AA-	A1	1,069,129

As of June 30, 2015, the SNWA's investment ratings and estimated fair values were as follows:

<u>Investment Type</u>	<u>S&P</u>	<u>Moody's</u>	<u>Fair Value</u>
U.S. Agency Non-Callable Bonds	AA+	Aaa	\$ 147,016,420
Commercial Paper	A-1+	P-1	29,987,081
Commercial Paper	A-1	P-1	19,998,833
U.S. Agency Discount Notes	Unrated	Unrated	14,098,560
U.S. Agency Discount Notes	A-1+	P-1	9,998,900
Municipal Bonds	AA-	A1	1,097,892
Municipal Bonds	AA	Aa2	1,012,040
Negotiable Certificates of Deposit	Unrated	Unrated	720,580

Concentration of Credit Risk

As of June 30, 2016, the following investments individually comprise 5% or more of the SNWA's total investment portfolio.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank	U.S. Agency Bonds	23%
Federal Home Loan Mortgage Corporation	U.S. Agency Bonds	15%
Federal Farm Credit Bank	U.S. Agency Bonds	11%
Federal National Mortgage Association	U.S. Agency Bonds	7%

As of June 30, 2015, the following investments individually comprise 5% or more of the SNWA's total investment portfolio.

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Investments</u>
Federal Home Loan Bank	U.S. Agency Bonds	18%
Federal Home Loan Mortgage Corporation	U.S. Agency Bonds	13%

Interest Rate Risk

As of June 30, 2016, the SNWA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
U.S. Agency Non-Callable Bonds	\$ 435,368,213	445
Negotiable Certificates of Deposit	140,055,961	134
U.S. Treasury Notes	138,660,560	416
Commercial Paper	114,775,308	97
U.S. Agency Discount Notes	79,064,780	125
U.S. Agency Callable Bonds	20,072,500	907
Municipal Bonds	1,069,129	714
Total Fair Value	<u>\$929,066,451</u>	
Portfolio Weighted Average Maturity		334

As of June 30, 2015, the SNWA's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
U.S. Treasury Notes	\$ 243,976,120	360
U.S. Agency Non-Callable Bonds	147,016,420	529
Commercial Paper	49,985,914	51
U.S. Agency Discount Notes	24,097,460	269
Municipal Bonds	2,109,932	762
Negotiable Certificates of Deposit	720,580	112
Total Fair Value	<u>\$467,906,426</u>	
Portfolio Weighted Average Maturity		377

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1. Inputs are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2. Inputs are other observable inputs.
- Level 3. Inputs are unobservable.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is deemed significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

At June 30, 2016, the SNWA's Level 1 investments were valued based on quoted market prices provided by recognized broker dealers and its Level 2 investments were valued by recognized broker dealers based on a matrix pricing model that maximizes the uses of observable inputs for similar securities.

At June 30, 2016, the SNWA had the following fair value classifications by investment level:

	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Unobservable Inputs (Level 3)</u>
Investments by Fair Value Level				
U.S. Agency Non-Callable Bonds	\$ 435,368,213	\$ -	\$ 435,368,213	\$ -
Negotiable Certificates of Deposit	140,055,961	-	140,055,961	-
U.S. Treasury Notes	138,660,560	138,660,560	-	-
Commercial Paper	114,775,308	-	114,775,308	-
U.S. Agency Discount Notes	64,887,400	64,887,400	-	-
U.S. Agency Callable Bonds	20,072,500	-	20,072,500	-
U.S. Agency Discount Notes	14,177,380	-	14,177,380	-
Municipal Bonds	<u>1,069,129</u>	<u>-</u>	<u>1,069,129</u>	<u>-</u>
Total Investments	<u>\$ 929,066,451</u>	<u>\$ 203,547,960</u>	<u>\$ 725,518,491</u>	<u>\$ -</u>

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

At June 30, 2015, the SNWA had the following fair value classifications by investment level:

	<u>June 30, 2015</u>	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. Treasury Notes	\$ 243,976,120	\$ 243,976,120	\$ -	\$ -
U.S. Agency Non-Callable Bonds	147,016,420	-	147,016,420	-
Commercial Paper	49,985,914	-	49,985,914	-
U.S. Agency Discount Notes	14,098,560	-	14,098,560	-
U.S. Agency Discount Notes	9,998,900	9,998,900	-	-
Municipal Bonds	2,109,932	-	2,109,932	-
Negotiable Certificates of Deposit	720,580	-	720,580	-
Total Investments	<u>\$ 467,906,426</u>	<u>\$ 253,975,020</u>	<u>\$ 213,931,406</u>	<u>\$ -</u>

NOTE 4. DUE FROM MEMBER AGENCIES

The SNWA bills its member agencies for wholesale delivery charges for water delivered to purveyor members, and/or reimbursement of general, administrative and other charges. In addition to these billings, purveyors collect regional connection charges, regional commodity charges and a regional reliability surcharge (the latter two known collectively as regional water charges). Revenue from billings and collections are remitted to the SNWA monthly.

Also, the SNWA has advanced funds to the LVVWD that are used to fund daily operating costs paid by the LVVWD. The LVVWD sends the SNWA monthly detailed bills for expenses the LVVWD incurred on the SNWA's behalf and the SNWA pays these billings as they occur. At year end, the SNWA nets any outstanding amounts owed to the LVVWD against the advance and shows the unused balance of advanced funds in the due from member agencies account. As of June 30, 2016 and 2015, those net amounts shown in the sums below were \$6.0 million and \$7.3 million, respectively.

Based on historical collection experience, management believes all accounts are collectible, and therefore no allowance has been provided for bad debts. At June 30, 2016 and 2015, the following amounts were due from the SNWA's member agencies:

Member Agency	June 30, 2016	June 30, 2015
Las Vegas Valley Water District	\$ 28,670,507	\$ 28,919,931
City of Henderson	6,110,938	6,442,075
City of North Las Vegas	5,709,151	5,169,204
City of Boulder City	483,705	355,354
Nellis Air Force Base	59,661	71,035
Big Bend Water District	44,065	37,813
Clark County Water Reclamation District	-	9,107
Total due from Member Agencies	<u>\$ 41,078,027</u>	<u>\$ 41,004,519</u>

(Totals may not add due to rounding.)

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

NOTE 5. RECEIVABLES

Receivables include amounts due from the State of Nevada, grantors and businesses as well as accrued investment earnings on the SNWA's investments. Based on historical collection experience, management believes all amounts are collectible, and therefore no allowance has been provided for bad debts.

The following amounts were due as of June 30, 2016 and 2015:

<u>Type</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Receivables - Restricted		
State of Nevada - Department of Taxation	<u>\$ 16,450,645</u>	<u>\$ 15,857,194</u>
Current Receivables - Unrestricted		
Southern Nevada Public Lands Management Act	1,550,382	4,730,944
Accrued Investment Earnings	1,030,056	615,321
Grants Receivable	230,052	3,048,565
BAB Subsidy Receivable	170,854	183,320
Ranch Revenue	-	19,043
Aerial Imagery Project-RTC	-	6,191
Total Current Receivables - Unrestricted	<u>2,981,344</u>	<u>8,603,384</u>
Total Current Receivables	<u>\$ 19,431,989</u>	<u>\$ 24,460,578</u>

(Totals may not add due to rounding.)

NOTE 6. OTHER CURRENT ASSETS

Other current assets consist of prepaid expenses and miscellaneous current assets located at the SNWA's northern resource property locations. The \$6.4 million (11.9%) decrease in other current assets is due primarily to prepaid power. During the year, the SNWA used funds to secure future power (electricity and natural gas) contracts.

The following items are included in Other Current Assets as of June 30, 2016 and 2015:

<u>Type</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Prepaid Power	\$ 45,235,968	\$ 52,109,017
Prepaid Leases	1,028,292	666,722
Ranch Inventory	766,291	735,756
Prepaid Insurance	521,571	490,052
Total Other Current Assets	<u>\$ 47,552,122</u>	<u>\$ 54,001,548</u>

(Totals may not add due to rounding.)

NOTE 7. CAPITAL ASSETS

The following capital assets schedules summarize changes in major categories of capital assets for fiscal years ended June 30, 2016 and 2015. Natural resource rights are described in more detail in Note 8, and Construction Work In Progress is described in more detail in Note 9.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal years ended June 30, 2016 and 2015

Capital Assets June 30, 2016

Capital Assets Category	Balance at June 30, 2015	Additions	Cost Adjustments	Retirements/ Transfers	Balance at June 30, 2016
Capital Assets Subject to Depreciation					
Structures and Improvements	\$ 742,179,790	\$ 37,270,164	\$ 1,321,955	\$ -	\$ 780,771,910
Pumping Stations and Wells	638,660,971	433,553	-	(11,298)	639,083,226
Transmission/Distribution/Mains	1,428,332,042	1,268,833,863	23,576	-	2,697,189,482
Office Furniture and Equipment	118,295,221	1,931,674	2,054,305	(56,371)	122,224,829
Transportation/Work/Equipment	6,339,416	782,244	11,295	(686,955)	6,446,000
Power Plant	101,854,657	-	-	-	101,854,657
Northern Resources Assets	22,037,189	733,226	573,242	(110,928)	23,232,729
Total Capital Assets Subject to Depreciation	3,057,699,286	1,309,984,724	3,984,374	(865,552)	4,370,802,831
Accumulated Depreciation					
Structures and Improvements	369,767,330	34,348,818	-	-	404,116,148
Pumping Stations and Wells	187,852,194	15,507,779	-	(11,298)	203,348,674
Transmission/Distribution/Mains	378,982,691	32,315,105	-	-	411,297,796
Office Furniture and Equipment	97,372,867	3,391,837	-	(56,371)	100,708,333
Transportation/Work/Equipment	5,621,127	345,328	-	(686,955)	5,279,500
Power Plant	37,912,565	3,395,155	-	-	41,307,720
Northern Resources Assets	13,883,044	1,520,268	-	(110,928)	15,292,384
Total Accumulated Depreciation	1,091,391,818	90,824,289	-	(865,552)	1,181,350,555
Net Capital Assets Subject to Depreciation	1,966,307,468	1,219,160,435	3,984,374	-	3,189,452,276
Capital Assets Not Subject to Depreciation					
Land and Land Rights	118,709,095	4,789,968	-	18,665,073	142,164,137
Natural Resource Rights	394,798,979	1,068,014	-	103,848,387	499,715,379
Construction Work In Progress	1,972,520,947	220,589,683	-	(1,456,783,034)	736,327,596
Net Capital Assets Not Subject to Depreciation	2,486,029,021	226,447,664	-	(1,334,269,574)	1,378,207,112
Total Net Capital Assets	\$ 4,452,336,489	\$ 1,445,608,099	\$ 3,984,374	\$ (1,334,269,574)	\$ 4,567,659,388

Capital Assets June 30, 2015

Capital Assets Category	Balance at June 30, 2014	Additions	Cost Adjustments	Retirements/ Transfers	Balance at June 30, 2015
Capital Assets Subject to Depreciation					
Structures and Improvements	\$ 718,333,783	\$ 23,925,157	\$ (79,150)	\$ -	\$ 742,179,790
Pumping Stations and Wells	638,600,721	-	60,250	-	638,660,971
Transmission/Distribution/Mains	1,427,259,668	-	1,072,374	-	1,428,332,042
Office Furniture and Equipment	114,654,176	1,297,287	2,406,738	(62,980)	118,295,221
Transportation/Work/Equipment	6,283,862	366,023	-	(310,469)	6,339,416
Power Plant	101,854,657	-	-	-	101,854,657
Northern Resources Assets	20,916,052	818,160	367,455	(64,478)	22,037,189
Total Capital Assets Subject to Depreciation	3,027,902,919	26,406,627	3,827,667	(437,927)	3,057,699,286
Accumulated Depreciation					
Structures and Improvements	337,460,410	32,306,920	-	-	369,767,330
Pumping Stations and Wells	172,344,712	15,507,482	-	-	187,852,194
Transmission/Distribution/Mains	359,326,372	19,656,319	-	-	378,982,691
Office Furniture and Equipment	94,188,905	3,240,948	-	(56,986)	97,372,867
Transportation/Work/Equipment	5,672,135	259,461	-	(310,469)	5,621,127
Power Plant	34,517,410	3,395,155	-	-	37,912,565
Northern Resources Assets	12,539,000	1,408,522	-	(64,478)	13,883,044
Total Accumulated Depreciation	1,016,048,944	75,774,807	-	(431,933)	1,091,391,818
Net Capital Assets Subject to Depreciation	2,011,853,975	(49,368,180)	3,827,667	(5,994)	1,966,307,468
Capital Assets Not Subject to Depreciation					
Land and Land Rights	92,323,192	-	-	26,385,903	118,709,095
Natural Resource Rights	393,537,487	1,261,492	-	-	394,798,979
Construction Work In Progress	1,847,684,063	179,443,212	-	(54,606,328)	1,972,520,947
Net Capital Assets Not Subject to Depreciation	2,333,544,742	180,704,704	-	(28,220,425)	2,486,029,021
Total Net Capital Assets	\$ 4,345,398,717	\$ 131,336,524	\$ 3,827,667	\$ (28,226,419)	\$ 4,452,336,489

(Totals may not add due to rounding.)

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For the fiscal years ended June 30, 2016 and 2015

NOTE 8. NATURAL RESOURCE RIGHTS

Arizona Water Bank

In 1993, the Board approved a cooperative agreement among its member agencies for funding and participation in the Arizona Underground Storage Demonstration Project (Project). The Project was originally an agreement between the Central Arizona Water Conservation District (CAWCD) and the Metropolitan Water District of Southern California to store water from the Colorado River in underground aquifers in Arizona. The SNWA agreed to participate in the Project and pay CAWCD to store Colorado River water in Arizona. In the event of either a flood release or an anticipatory release of Colorado River water, water stored in Arizona would then become the property of the States of California and Nevada. In 1996 and 1997, the United States Secretary of Interior declared a surplus, and 50,000 AF of water stored in Arizona were assigned to the SNWA. Under the Project, the SNWA purchased the 50,000 AF of water available for future use and funded the expenditure through capital contributions from the SNWA's member agencies.

In 2001, the SNWA and CRC approved an Agreement for Interstate Water Banking (Banking Agreement) with the Arizona Water Banking Authority (AWBA). The AWBA agreed to use its best efforts to store 1.2 million AF of Colorado River water underground in Arizona for the SNWA under the Banking Agreement, and two related agreements that were executed in 2002. Also in 2002, the SNWA and the CRC entered into an agreement with the AWBA to allow the SNWA to store water in Arizona during that year while the remaining agreements were being negotiated. Under the 2002 agreement, the SNWA stored 66,595 AF of Colorado River water in Arizona. In 2004, as part of a subsequent agreement, the AWBA agreed to store an extra 10,000 AF of Nevada's unused Colorado River water for the SNWA.

In 2004, the Board approved an amendment to the 2001 Banking Agreement that guarantees Nevada 1.25 million AF of water storage in aggregate (approximately 1.13 million AF of additional storage plus utilization of the roughly 120,000 AF of water previously stored) in Arizona. In exchange for the water stored, the SNWA agreed to make an initial payment of \$100.0 million and payments of \$23.0 million per year for a ten year period beginning in 2009. Additionally, the SNWA agreed to pay the AWBA's actual cost to recover the stored water.

After several mutually agreed upon deferrals of payment, the AWBA and SNWA approved an amendment to the 2001 Banking Agreement in May 2013 that relieved the SNWA from its obligation to pay the AWBA \$217.3 million in remaining annual payments. In exchange, the AWBA will complete any additional storage of Colorado River water on a pay-as-you-go basis. Also, the SNWA will pay a \$20,000 annual administrative fee for maintenance of the SNWA's storage credits.

As of June 30, 2016, the SNWA has capitalized a total of \$134.9 million related to the AWBA.

Drop 2 / Brock Storage Reservoir Water Rights

In 2005, the Bureau of Reclamation completed a study of potential alternatives for replacing lost storage capacity, reducing excess deliveries to Mexico, and improving lower river operational control. It was determined that building a small reservoir near the All American Canal was the best alternative.

In return for funding \$99.8 million to design and construct the Drop 2 Reservoir, the SNWA would receive the right to 400,000 AF of System Efficiency Intentionally Created Surplus. This water would be able to be utilized by the SNWA through 2036 at a maximum rate of 40,000 acre-feet per year (AFY).

Northern Resource Properties and Related Rights

In 2006 and 2007, the Board approved the purchase of seven properties in Spring Valley, Nevada. In addition to its substantial land holdings (over 23,000 acres), the SNWA also acquired surface and groundwater rights associated

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with the properties. Through June 30, 2012, the SNWA acquired more than 33,000 AFY of surface water rights, more than 6,000 AFY of groundwater rights, and more than 23,000 AFY of supplemental water rights. Additional negligible water rights were acquired in 2010. The SNWA intends to use the surface water rights to help manage the groundwater basin and support other environmental management activities associated with its Clark, Lincoln, and White Pine Counties Groundwater Development Project.

The Bureau of Land Management (BLM) and United States Forest Service (USFS) issue permits allowing livestock to graze on lands in districts formed primarily under the Taylor Grazing Act. These grazing permits specify grazing preference and the terms and conditions under which permittees may graze these lands during the term of the permit. They are issued by land units called allotments with units known as Animal Unit Months (AUM). An AUM is defined as the amount of forage needed by an animal unit grazing for one month (approximately 1,000 pounds of dry forage). Permits issued by the BLM and USFS are effective for ten years and are subject to renewal. As of June 30, 2016, the SNWA owned permits equivalent to 46,180 AUMs and lease another 2,050 AUMs for a total of 48,230 AUMs. The SNWA has verified through a third party that the AUMs have not been impeded or decreased in value by any legal actions.

As of June 30, 2016, the SNWA has capitalized \$62.2 million of costs to acquire the northern resource properties and related rights.

Muddy River Water Rights

In 1996 the Board authorized the General Manager to request proposals for acquisition of up to 5,600 AF of Muddy River water rights from shareholders of the Muddy Valley Irrigation Company (MVIC). In 1999, the SNWA purchased 3,662 AF of water rights from several shareholders. In 2000, the SNWA exercised all options possible and obtained the permanent water rights associated with those options totaling 1,764 AF. The Board authorized and executed an additional purchase of shares in 2001, representing a total of 188 AF of water. In 2002 and 2004, the Board authorized the acquisition of an additional 3,300 AF and 600 AF, respectively, of Muddy River Water Rights bringing the total authorized for purchase to 9,500 AF. Finally, in 2008 (amended 2011) the Board authorized the acquisition of additional shares of the MVIC, along with additional shares of other northeastern Clark County rural irrigation companies. The authorization does not give a specific limit for the MVIC acquisition but instead establishes a \$57.1 million limit for post 2007 acquisitions or leases of the MVIC and two other rural irrigation companies. The SNWA has not exceeded this authorization.

As of June 30, 2016, the SNWA has capitalized \$62.1 million of costs related to the acquisition of Muddy River Water Rights.

Hydropower Rights

The CRC was created in 1935 for the purpose of securing and distributing Nevada's right to Colorado River water and hydroelectric power. The CRC delivers Nevada's allocation of Colorado River hydroelectric power to various municipal and non-municipal customers in southern Nevada. One of those customers located in Henderson, Nevada is Pioneer Americas, LLC (Pioneer), a manufacturer of chlorine and caustic soda used in various chemical processes.

In addition to hydropower, the CRC also purchased supplemental energy for Pioneer in the wholesale energy market. As a result of regional market volatility in 2000 and 2001, the price of Pioneer's portfolio of supplemental energy was higher than market, and higher than Pioneer could pay. The CRC purchased Pioneer's entire portfolio of energy contracts including hydropower. In January 2003, the SNWA purchased Pioneer's hydropower contract from the CRC for \$53.0 million, allowing the CRC to retain the Pioneer supplemental energy portfolio and use the \$53.0 million to settle those contracts.

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There are five contracts associated with the Pioneer hydropower. Two are associated with power generated at the Hoover Dam, two at the Parker-Davis Dam, and one is related to the transmission of the hydropower. The current Hoover Dam contracts expire in 2017, but new contracts have been executed which renew this resource for the SNWA for an additional 50 year with 95% of the original volumes. The Parker-Davis Dam contracts expire in 2028, but the SNWA expects that these contracts will also be renewed. Accordingly, the hydropower is considered a perpetual resource.

Virgin River Water Rights Development

In 1994, the Board agreed to accept assignment of Nevada's Virgin River water rights from the LVVWD, subject to the SNWA reimbursing the LVVWD for all costs incurred related to the acquisition of those water rights. Additionally, the SNWA acquired 350 shares of the Bunkerville Irrigation Company (BIC) in September 2005. The shares represent 3,710 AF of Virgin River surface water rights. Under the terms of an agreement between the SNWA and the Virgin Valley Water District (VVWD) in 2000, the SNWA transferred 3,710 AF of its water rights to the VVWD to assist in the development of additional groundwater resources in the Virgin River Basin. Finally, in 2008 (amended 2011) the Board authorized the acquisition of additional shares of the BIC and the Mesquite Irrigation Company (MIC). The authorization, which includes the MVIC as described above, does not give a specific limit for acquisition. Instead, it establishes a \$57.1 million limit for post-2007 acquisitions or leases of the MVIC, BIC, and MIC. The SNWA has not exceeded this authorization.

As of June 30, 2016, the SNWA has capitalized \$39.4 million of costs associated with the acquisition of Virgin River water rights which includes all initial payments and any subsequent research and development costs.

Coyote Springs Water Rights

In 1997, the Board authorized the General Manager to initiate negotiations for the purchase of ground water rights and a well in the Coyote Springs Valley located about 60 miles northeast of Las Vegas. The well is one of the highest producing wells ever drilled in southern Nevada. In 1998, the Board approved the purchase of 7,500 AF of groundwater rights and the well with associated real property including easements. In 2002, the SNWA purchased another 1,500 AF of water rights from Coyote Springs Investment, LLC.

As of June 30, 2016, the SNWA has capitalized \$30.9 million of costs associated with the acquisition and subsequent maintenance of Coyote Springs water rights.

In-State Water Projects

In 1989, the LVVWD filed applications to appropriate water from multiple hydrographic basins located in eastern Nevada. In 2003, the Board agreed to accept assignment of those applications from the LVVWD for a payment of \$9.9 million, which represented the LVVWD's costs to date of developing and perfecting those water rights.

As of June 30, 2016, the SNWA has capitalized \$10.1 million related to the acquisition of these water rights which includes the initial payment to the LVVWD plus additional costs that have been incurred.

Cave Valley Hydrologic Basin Water Rights

In 2008, the State Engineer (SE) issued a ruling that granted the SNWA 18,755 AFY from Delamar, Dry Lake, and Cave Valley hydrologic basins. Cave Valley Ranch, LLC (CVR) filed protests to the applications which ultimately concluded with a settlement between CVR, the SE, and the SNWA.

In 2009, a settlement agreement between the SNWA and CVR in the amount of \$4,050,000 grants the SNWA 4,678 AFY in the Cave Valley Hydrologic Basin.

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Other Water Rights

In 2010, the SNWA acquired the contractual rights to 400 AF of Colorado River water held by an outside corporation. The \$2.0 million purchase does not increase Nevada's 300,000 AF basic apportionment of Colorado River water, but will ensure that the SNWA is the sole entity authorized to receive this water.

Groundwater Management Program

In 1999, the Nevada Legislature directed the SNWA to establish a Groundwater Management Program (GMP) for the Las Vegas Valley. The GMP provided for the recharging of treated Colorado River water into the Las Vegas Valley Groundwater Basin (LVVGB) for the permanent benefit of the aquifer. Funds collected as part of the GMP are used for this recharge and other programs to benefit well owners.

As of June 30, 2016, the SNWA has capitalized \$1.2 million associated with the GMP.

The following table summarizes the amounts capitalized related to natural resource rights as of June 30, 2016 and 2015:

Type	June 30, 2016	June 30, 2015
Arizona Water Bank	\$ 134,939,572	\$ 133,915,572
Drop 2 / Brock Storage Reservoir Water Rights	99,797,437	-
Northern Resource Property and Rights	62,165,559	62,165,559
Muddy River Water Rights	62,134,195	62,134,195
Hydropower Rights	53,000,000	53,000,000
Virgin River Water Rights Development	39,449,696	39,405,682
Coyote Springs Water Rights	30,884,687	30,884,687
In-State Water Projects	10,134,854	10,134,854
Cave Valley Hydrographic Basin Water Rights	4,050,950	-
Other Water Rights	2,000,000	2,000,000
Groundwater Management Program	1,158,430	1,158,430
Total Natural Resource Rights	<u>\$ 499,715,379</u>	<u>\$ 394,798,979</u>

(Totals may not add due to rounding.)

NOTE 9. CONSTRUCTION WORK IN PROGRESS

The SNWA maintains two capital construction programs: (1) the Major Construction and Capital Plan (MCCP) which includes capital projects that expanded capacity of the SNWS from 400 million gallons per day (MGD) in 1996 to 1,015 MGD currently, building two additional intakes into Lake Mead, the acquisition of water and water rights, and other miscellaneous capital projects, and (2) the Las Vegas Wash Capital Improvements Plan (LVWCIP), which includes capital projects associated with improving water quality in the Las Vegas Wash, the natural channel that drains the Las Vegas Valley into Lake Mead. Each of these capital projects are discussed in more detail later in this note.

Land costs, which include the costs of easements and other rights-of-way, are allocated to Property, Plant and Equipment (PP&E) when purchased. Land costs are not depreciated. Direct and indirect costs of constructing a capital project, including ancillary costs directly related to construction projects, are recorded as Construction Work in Progress (CWIP). When a project is finished, an agenda item is brought before the Board to accept the project as complete. With the Board's acceptance, associated CWIP costs are closed out and allocated to depreciable asset categories within PP&E.

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Major Construction and Capital Plan (MCCP)

In 1994, the SNWA began a capital improvements program (CIP) estimated to cost \$2.1 billion. The purpose of the CIP was to expand the capacity of the SNWS from 400 MGD to 900 MGD giving Nevada the capacity and reliability to access its entire 300,000 AF consumptive use allocation of the Colorado River, plus any banked, transferred, or purchased water that may be delivered to Nevada via the Colorado River. In 2008, the CIP was amended to add funds to construct Lake Mead Intake No. 3 bringing the gross authorized amount of the CIP to \$2.9 billion.

The express intent of the CIP was to build improvements on a phased or as-needed basis. All costs associated with the CIP were capitalized. Direct costs included land costs, costs of construction, and engineering contracts. Indirect costs included items such as administration, planning and design, public information, program management, construction management, environmental mitigation, and interest.

In 2002, the SNWA created the MCCP to address the need for capital projects not directly related to the expansion of the SNWS. The original MCCP defined and authorized projects that were necessary to maintain facilities in a sound and functional condition, maintain or improve water quality, develop water resources, reduce operating costs, address environmental and safety issues, provide support facilities (including power), and meet other objectives defined by the Board. The original MCCP authorized \$328 million of capital projects. By the tenth amendment in December 2008, the MCCP's total authorization had risen over fivefold. In 2010, the CIP and MCCP were merged into one document.

The most recent amended MCCP to be approved by the Board was on May 21, 2015, primarily to authorize design and construction of a new Low Lake Level Pumping Station at an estimated cost of \$650 million. This amended MCCP also updates costs and schedules for numerous other projects and includes details for \$2.6 billion of completed projects, \$2.4 billion of active projects, and \$0.1 billion of deferred projects.

It is the express intent of the MCCP to build improvements on a phased or as-needed basis. All costs associated with the MCCP are capitalized. Direct costs include land costs, costs of construction, and engineering contracts and interest. Indirect costs include items such as capitalized interest, administration, planning and design, public information, program management, construction management, and environmental mitigation.

Las Vegas Wash Capital Improvements Plan (LVWCIP)

The Las Vegas Wash (Wash) is the primary urban runoff, wastewater, and floodwater outlet from the Las Vegas Valley into Lake Mead and the Colorado River. The Wash is considered a critical component of the many environmental and water resource issues facing southern Nevada. The LVWCIP presents a summary of planned capital requirements necessary to support long-term enhancement and management of the Wash.

The LVWCIP was most recently revised and approved by the Board on May 19, 2016, includes future projects totaling approximately \$24.3 million. Of that amount, about \$22.9 million (94.4%) is for construction of facilities. The remaining \$1.4 million (5.6%) is for revegetation activities and miscellaneous programs. These projects will be funded by 4.0% of the gross sales tax the SNWA receives which has been designated for the Wash, as well as grants and contracts provided by various state and federal agencies.

Indirect Costs

Indirect costs are defined as capital costs that have not been specifically identified as being generated by a single capital project. Indirect costs are composed of three major categories – (1) capitalized interest, (2) capitalized labor, and (3) other costs.

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The SNWA calculates capitalized interest based on total CWIP, not by project (see below). Indirect capitalized labor results from departments that work with multiple projects and find it cumbersome and ineffective to try and post their time to specific projects. Other indirect costs come primarily from outside consultants that the SNWA hires to do planning, oversight, and other capital related tasks. Since these consultants invoice the SNWA by total time spent on SNWA projects and not specific tasks, the costs cannot be traced to specific items in the capital plan.

Capitalization of Interest Income / Expense

The SNWA capitalizes the interest cost of restricted tax-exempt borrowings, less interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until the assets acquired with those borrowings are ready for their intended use. These amounts are added to the indirect costs of total CWIP. The SNWA capitalized \$9.3 million and \$86.2 million of interest expense, which was partially offset by \$1.0 million and \$0.5 million of interest income, in the fiscal years ended June 30, 2016 and 2015, respectively.

The following shows the Construction Work in Progress balance as of June 30, 2016 and 2015:

<u>Type</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Major Construction and Capital Plan	\$ 429,491,910	\$ 1,369,643,518
Las Vegas Wash Capital Improvement Plan	16,990,449	16,006,150
Indirect Costs	289,845,237	586,871,279
Total Construction Work In Progress	<u>\$ 736,327,596</u>	<u>\$ 1,972,520,947</u>

(Totals may not add due to rounding.)

NOTE 10. WATER RECHARGE INVENTORY

In 1993, member agencies of the SNWA entered into a cooperative agreement for the banking of water (recharge) in the LVVGB. The purpose of this agreement was to allow the LVVWD to store water on behalf of the member agencies for future use. The SNWA was not a party to the 1993 agreement.

In 2006, the Board approved an agreement between the SNWA and the parties involved in the 1993 cooperative agreement for the sale and transfer of water banked in the LVVGB. The agreement centrally locates this water source with the SNWA for future use by all member agencies. In addition, the SNWA entered into a cooperative agreement with the LVVWD to allow the SNWA to store water in the LVVGB for the future use of the SNWA. As part of this agreement, the LVVWD agreed to continue its recharge of the LVVGB, with the SNWA reimbursing all related costs on a monthly basis. The agreement also allows the SNWA to manage the water stored in the LVVGB for supplemental use of the valley's water supply in future years, to operate a GMP as directed by NRS 572, and other uses as deemed necessary. As of June 30, 2016, the SNWA has paid \$86.2 million net of sales for 345,351 AF of storage.

NOTE 11. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

As required by GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, the difference between the reacquisition price and the net carrying amount of old debt that is current or advance refunded is capitalized, shown as a deferred outflows of resources or deferred inflows of resources, and amortized to interest expense over the shorter of the remaining life of the old debt or the life of the new debt. The decision to refund bonds can be made because there is an economic gain to be realized from refunding, even though there may be an increase in the amount of debt outstanding. Economic gain is determined by comparing the present value of cash flow of the existing bond issue with that of the refunding bond issue. Typically, the economic gain comes from lower interest rates of the refunding bonds. Refundings can also occur as needed to provide cash flow relief. The balances on the deferred amount - bond refundings are being amortized

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over the life of the associated debt. As of June 30, 2016, deferred outflows of resources related to bond refundings was \$75.2 million.

In fiscal year 2016, the SNWA set up the deferred amount - related party to account for the net difference between projected and actual earnings in the pension trust fund held by the LVVWD. As of June 30, 2016, deferred amount - related party is \$10.8 million.

The total deferred outflows of resources as of June 30, 2016 and 2015 are \$86.1 million and \$77.3 million, respectively. The net increase in fiscal year 2016 resulted from the addition of \$10.8 million related to deferred amount - related party, which includes deferred amount related to pension due to LVVWD. This amount was offset by the normal amortization of the deferred amount - bond refundings after taking into account the issuance of two new refunding bonds. Deferred inflows of resources as of June 30, 2016 and 2015 are \$18.0 million and \$19.1 million, respectively. The decrease in fiscal year 2016 resulted from normal amortization.

NOTE 12. ACCOUNTS PAYABLE

Accounts payable balances by category as of June 30, 2016 and 2015 are as follows:

Type	June 30, 2016	June 30, 2015
Construction Contracts and Administration	\$ 16,674,581	\$ 11,874,499
Construction Contracts Retention	3,633,648	12,226,457
Administration Expenses	366,423	290,621
Total Accounts Payable	<u>\$ 20,674,652</u>	<u>\$ 24,391,578</u>

(Totals may not add due to rounding.)

As discussed in Note 1, the SNWA advanced \$19.0 million to the LVVWD in fiscal year 2009 to be applied against future daily operating costs paid by the LVVWD on behalf of the SNWA. The advance payment is first applied against (and eliminates) amounts currently due from the SNWA to the LVVWD. As of June 30, 2016, \$6.0 million of the advance has yet to be applied against SNWA-related expenses. The unused amount is reported as a component of amounts due from member agencies (Note 4).

NOTE 13. COMMITMENTS, RESERVES AND CONTINGENCIES

Construction Contracts

In connection with its two capital improvement plans, the SNWA makes commitments to pay contractors working on those projects. However, the SNWA only pays those contractors for the work they have completed. As of June 30, 2016, the SNWA had construction contract commitments totaling approximately \$214.7 million. This is the amount the SNWA will be obligated to pay if all contractors perform per their contracts. The SNWA could substantially reduce the amount of this commitment by notifying contractors to suspend further work and by paying for work completed to that point.

Operating Leases

Lease Obligations

In 2004, the Board approved a non-cancelable operating lease agreement between Parkway Center, LLC (Molasky) and the SNWA for office space at the Molasky Corporate Center located at 100 City Parkway in downtown Las Vegas. The original agreement allowed the SNWA to lease 129,375 square feet of office space beginning August 1, 2007, for a period of twenty years with renewal options. Two additional amendments approved in 2006 added an

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additional 52,994 square feet of office space for the same twenty year period. On December 21, 2007, the SNWA exercised its purchase option on the office space described in the original 2004 lease, thereby reducing the amount of office space subject to the lease agreement with Molasky to 52,994 square feet. On November 19, 2015, the purchase option on the remaining 52,994 was exercised. The SNWA continues to lease billboard space from the Molasky Corporate Center. The SNWA leases 34,898 square feet to the LVVWD and 3,000 square feet to Faiss Foley Warren (see Lease Receivables below). For the fiscal years ended June 30, 2016 and 2015, the SNWA paid \$3.4 million and \$4.8 million on the lease and associated fees.

In March 2006, the Board approved an agreement between the Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter-day Saints (CPB) and the SNWA. The agreement allows the SNWA to lease up to 2,001 AF of water annually from the CPB. The initial lease is for a twenty year period with the option to renew for two additional ten year periods. The rate per AF is \$130 with an additional \$100 per AF surcharge if the water is used outside the Moapa Valley Water District (MVWD) service territory. The lease contains an escalation clause based on the Consumer Price Index for All Urban Customers All Items Unadjusted.

In April 2008, the Board approved agreements allowing the SNWA to lease rights from shareholders of the MVIC, the BIC and the MIC (Mesquite leases). The approval allows the Mesquite leases to be offered for any period of time that is agreeable to the SNWA and the water rights holder. Initial Mesquite leases began on October 1, 2008, were from one to ten years in duration and had an annual escalation factor of 3%. In May 2014, the Board approved agreements extending expired leases through September 30, 2016. The rates for the extensions were 54.1% to 62.5% lower per acre foot than the original leases and contain no escalation clause.

In March 2009, the Board approved an agreement with the MVIC allowing the SNWA to lease winter irrigation water rights from the MVIC. The nineteen year lease agreement allows the SNWA to lease 3,000 AF of water per winter season at \$442,801 per year for the first nine years and 1,000 AF of water per winter season at \$259,488 per year for the next ten years. Each of these amounts has an attached escalation factor of 3% annually after the first year of activation. The SNWA would also pay \$25 per AF (escalated annually) to the MVIC for conveying any of this water through the MVIC water distribution system to Lake Mead.

In July 2013, SNWA approved an agreement with the Nevada Department of Wildlife (NDOW) to lease 700 Animal Unit Months (AUMs) for grazing privileges or pasture rights for cattle within the boundaries of the Steptoe Valley Wildlife Management Area, which is administered by NDOW. The agreement will be utilized between July 15 and October 31 for five one-year periods, for an amount not to exceed \$61,257 per year.

None of the leases listed above contain contingent rentals, which are rentals in which amounts are dependent upon some factor other than the passage of time.

The following table shows the remaining minimal rental payments due under the terms of the lease contracts described above.

Fiscal Year Ending June 30	Molasky	CPB	Mesquite Leases	MVIC Lease	NDOW	Total
2017	\$ 108,271	\$ 260,130	\$ 57,533	\$ 544,590	\$ 61,257	\$ 1,031,780
2018	45,667	260,130	59,259	560,928	61,257	987,240
2019	-	260,130	15,259	259,488	-	534,877
2020	-	260,130	-	267,273	-	527,403
2021	-	260,130	-	275,291	-	535,421
2022-2026	-	1,300,650	-	1,505,405	-	2,806,055
2027-2028	-	130,065	-	667,285	-	797,350
	<u>\$ 153,938</u>	<u>\$ 2,731,365</u>	<u>\$ 132,051</u>	<u>\$ 4,080,260</u>	<u>\$ 122,514</u>	<u>\$ 7,220,127</u>

(Totals may not add due to rounding.)

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Lease Receivables

In 2006, the SNWA entered into an interlocal sublease agreement with the LVVWD regarding office space that is either purchased or leased from Molasky. The twenty-year agreement allows the LVVWD to lease 34,898 square feet of space from Molasky. The space that is being leased has an approximate carrying value of \$23.7 million, with \$6.9 million in accumulated depreciation having been taken through June 30, 2016. In addition, the LVVWD pays a share of leasehold improvements. The sublease assumes a ten-year useful life on leasehold improvements and the LVVWD pays a pro-rated share of the amortized value of such improvements. The sublease contains no escalation clauses. The LVVWD is also responsible for any utilities and services assessed to the SNWA for the space occupied by the LVVWD. For the remaining period of the lease, the SNWA anticipates receiving a minimum \$17.5 million of aggregate sublease payments from the LVVWD.

In March 2009, the Board approved three agreements with NV Energy Company (NVE). One agreement allows NVE to lease 1,050 AF of the SNWA water over a ten year period for an annual price of \$83,721. This annual payment is required to be paid regardless of whether or not the water is utilized. The lease expires in 2052. The second agreement allows NVE to lease a maximum of 2,200 AF of Muddy River water per winter season for the first nine years and a maximum of 1,000 AF of Muddy River water per winter season for years 10 through 19. Payments will be made only on an as-used basis with a maximum pre-escalation payment of \$274,804 per year during the first nine years and a maximum pre-escalation payment of \$259,490 per year during the remaining term of the lease. The final lease allows NVE to option an additional 800 AF of water per year during the first nine-year winter season described above for a cost of \$291.83 per AF. All amounts described in this paragraph are subject to a 3% annual escalation. For the remaining period of the leases the SNWA anticipates receiving a minimum \$6.4 million of aggregate payments.

In 2012, the SNWA entered into a sublease agreement with Faiss Foley Warren (Faiss) regarding office space at Molasky. The two year agreement allowed Faiss to lease 3,000 square feet of space and provided the option for a two year renewal, which was exercised. In February 2016, the SNWA executed an amendment to renew the lease agreement for an additional two year period ending in May 2018. The space owned by the SNWA that is being leased has an approximate carrying value of \$2.0 million, with \$0.6 million in accumulated depreciation having been taken through June 30, 2016. The sublease contains no escalation clauses. For the remaining period of the lease, the SNWA anticipates to receive a minimum \$0.1 million of aggregate sublease payments from Faiss.

Except as noted, none of the subleases listed above contain contingent rentals.

The following table shows the future minimum rental incomes for the next five years due under the terms of the lease contracts described above.

<u>Fiscal Year Ending June 30</u>	<u>LVVWD</u>	<u>NVE</u>	<u>Faiss</u>	<u>TOTAL</u>
2017	\$ 1,564,869	\$ 106,055	\$ 72,000	\$ 1,742,924
2018	1,564,869	109,237	66,000	1,740,106
2019	1,564,869	112,514	-	1,677,383
2020	1,564,869	115,889	-	1,680,759
2021	1,564,869	119,366	-	1,684,235
	<u>\$ 7,824,346</u>	<u>\$ 563,062</u>	<u>\$ 138,000</u>	<u>\$ 8,525,407</u>

(Totals may not add due to rounding.)

Forward Energy Contracts

Because Las Vegas is uphill from its major water supply, reliable electrical service is essential to the SNWA's ability to deliver water. To gain more control over energy reliability and costs, the SNWA manages the majority of its power

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supply rather than purchasing energy from the local regulated investor-owned utility under tariff rates approved by the Nevada Public Utilities Commission. This provides greater control of future prices and projected savings over the same commodity purchased from the investor owned utility.

The SNWA began purchasing over 95% of its power requirements from the Silver State Energy Association (SSEA) beginning April 1, 2013 under Project Services Agreement #3: Power Supply Management Services Agreement, Load Requirements Service (LRS). The SSEA is a joint powers association of public agencies (see Note 19) which was formed in 2007. Its members include the City of Boulder City, Overton Power District #5, Lincoln Power District #1, CRC, and the SNWA. The SNWA and CRC staff run the SSEA which is governed by a Board of Directors with one representative of each member sitting on the Board.

The SSEA buys and sells fixed price power with the SNWA for the upcoming five calendar years to balance the SNWA's total supplies with its total load and other obligations. The SSEA then purchases and sells physical power and other financial products from the market to best hedge its portfolio of forward energy contracts. All SSEA energy activity is in compliance with established energy risk management procedures which were developed to fulfill the Energy Risk Management Policy adopted by the SSEA Board. Under LRS, the SNWA is responsible for a portion of gains and losses and prepaid energy expenses that may be realized in SSEA's energy portfolio each month.

Prior to taking service from the SSEA, the SNWA managed its own portfolio of energy resources consisting solely of forward electricity generation and transmission contracts as well as financial power and natural gas swaps. Among the forward electricity contracts are long-term contracts for the purchase of hydropower from federal dams along the Colorado River. Because this portfolio, as well as its energy contracts with the SSEA, exist solely for purposes of serving the SNWA's projected energy requirements over the next five years, the forward energy contracts are considered to be "normal purchases and sales contracts" and are considered to be outside the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

Although the SNWA is taking LRS Service from the SSEA it will continue to own existing energy assets and contracts and may add other energy assets or contracts in the future as part of its supply portfolio.

The primary risks associated with the SNWA's energy portfolio, as well as the SSEA's energy portfolio, are counterparty credit and termination risks, which are managed by policies and procedures that require careful financial evaluation of trading partners, trading limits and in some cases as specified by policy, the posting of collateral.

As of June 30, 2016, the SNWA had net energy contract commitments for the next ten fiscal years totaling approximately \$186.2 million, which includes its projected allocation of the SSEA net energy contract commitments.

Generating Assets

The SNWA owns 25.0% of the Silverhawk electric power generating plant located in the Apex Industrial Park approximately 20 miles northeast of Las Vegas. NVE is the majority owner of the 580 megawatt (MW), natural gas-fired plant. The SNWA has paid 25.0% of the Silverhawk construction costs, is obligated to pay 25.0% of the operating costs and is entitled to 25.0% of the generated electricity. For the period June 1, 2013 through December 31, 2018, the SNWA entered into an energy exchange agreement with NVE whereby NVE has the right to dispatch the plant using their professional judgment, and the SNWA receives 125 MW on peak and 25 MW off peak of firm delivered power.

SNWA has executed agreements to sell its 25.0% share of Silverhawk to NV Energy for a \$77.0 million cash payment with an anticipated closing date of May 1, 2017. All obligations and rights related to SNWA's ownership interest in Silverhawk, including its 25.0% of operating costs, transmission costs, and the energy exchange referenced above, will terminate upon the closing of the sales transaction.

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In addition to Silverhawk, the SNWA also owns approximately 0.5 MW of solar generation and 2.1 MW of small hydro generation.

Litigation

The SNWA is a defendant in various litigation matters. Although the outcome of these matters is not presently determinable based on information currently available, it is management's opinion based upon advice from legal counsel that the risk of financial losses to the SNWA from such litigation will not have a material adverse effect on its future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

NOTE 14. SHORT-TERM DEBT

On March 10, 2004, the LVVWD began a Tax-Exempt Commercial Paper (TECP) program for the SNWA, authorizing up to \$400.0 million in TECP notes. Proceeds from the sale of the notes were used to fund capital expenditures of the SNWA including the purchase of water resources and a 25.0% interest in the Silverhawk power plant. The TECP program was most recently renegotiated on March 5, 2014 and is currently facilitated by a letter of credit between the LVVWD; J.P. Morgan Chase, National Association; and Wells Fargo Bank, National Association. The termination date for each agreement is April 14, 2017 and has options for renewal. The TECP notes are subject to market fluctuations as they are traded on the open market. The entire balance is currently issued and outstanding.

The following chart summarizes key components of the SNWA's short-term debt activity.

	June 30, 2016	June 30, 2015
Balance Beginning of Period	\$ 400,000,000	\$ 400,000,000
Additions	2,624,180,000	2,002,960,000
Retirements	(2,624,180,000)	(2,002,960,000)
Balance End of Period	\$ 400,000,000	\$ 400,000,000
End of Period		
Accrued Interest	\$ 193,184	\$ 64,320
Average Interest Rate	0.46%	0.10%
Number of Tranches	12	11
Smallest	\$ 6,600,000	\$ 11,000,000
Largest	\$ 150,000,000	\$ 134,000,000
Shortest Maturity, in days	34	47
Longest Maturity, in days	91	156

NOTE 15. DUE TO RELATED PARTY

Effective July 1, 2007, the LVVWD implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As a result of this implementation, the LVVWD allocated a portion of the liability related to postemployment benefits other than pensions (OPEB) to the SNWA. For the fiscal years ended June 30, 2016 and 2015, allocated OPEB liabilities were \$5.2 million and \$4.6 million, respectively. Additionally, effective July 1, 2014, the LVVWD implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. As a result of this implementation, the LVVWD allocated a portion of the net pension liability to the SNWA. For the fiscal years ended 30, 2016 and 2015, the allocated net pension liabilities were \$75.4 million and \$63.1 million, respectively.

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As of June 30, 2016 and 2015, due to related party balances are \$80.6 million and \$67.7 million, respectively. Although implementation of GASB Statements No. 45 and 68 is not applicable to the SNWA, the SNWA is liable to the LVVWD for a proportionate share of the OPEB and pension liabilities.

NOTE 16. LONG-TERM DEBT

Pursuant to the Transfer Act discussed in Note 1, the SNWA assumed responsibility for all CRC debt associated with the SNWS as of January 1, 1996. In 1997, the SNWA received authorization to sell its bonds directly to the Nevada State Bond Bank. In 1999, the SNWA received authorization to sell its bonds through a newly authorized Clark County Bond Bank. The SNWA also has bonds payable, which were issued by the LVVWD on the SNWA's behalf. The SNWA plans to use the LVVWD to sell long-term fixed-rate bonds whenever feasible in the near future.

Debt Creation and Reporting

To avoid the carrying costs of bond proceeds that will not be used for some time to fund capital projects, the SNWA generally issues bonds sufficient to fund about two years of estimated capital project expenditures. The SNWA also can use capital contributions as needed to fund capital project construction payments on a pay-as-you-go basis.

In compliance with NRS 350.013, the SNWA submits a Debt Management Policy to the Nevada Department of Taxation annually. That required filing includes a discussion of the affordability of debt, debt capacity, and how debt will be repaid. The Debt Management Policy is also provided to Clark County and is available for review by bonding agencies and the general public. In addition, the Debt Management Policy is included in the SNWA's annual Operating and Capital Budget document.

Debt Covenants

Management believes that the SNWA has complied with all legal requirements, limitations, and restrictions imposed by debt covenants. The SNWA is required to set charges for its purveyor members that when combined with unrestricted assets available for debt service create levels sufficient to cover all operating and maintenance expenses (excluding depreciation), all debt service requirements and amounts required to be deposited in reserve accounts, if any. Other requirements of long-term debt covenants include adequate insurance coverage for liability, property, and the LVVWD employees and an annual audit of the SNWA's basic financial statements by independent certified public accountants. Covenants are reviewed periodically by outside bond counsel to ensure adherence.

Defeasance of Debt

Some debt issued on behalf of the SNWA has been advance refunded. In those instances, proceeds from advance refunding bond issuances have been placed in escrow accounts to fund debt service requirements as they come due. As of June 30, 2016, one bond issue with \$60.2 million in prior year in-substance defeased debt remains outstanding. The assets in these escrow accounts, as well as the liabilities for those in-substance defeased debt issues, have been removed from the SNWA's financial statements. Furthermore, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, any accounting gain or loss resulting from these transactions has been deferred and is being amortized over the life of the related debt (Note 11).

Current Year Debt Issuance Activity

On March 3, 2016, Clark County on behalf of SNWA issued Clark County 2016A refunding bonds in the original amount of \$264.0 million. Proceeds from the bonds along with the \$52.3 million of premiums were deposited into escrow to partially refund the Clark County 2006 refunding bonds and the Clark County 1106 refunding bonds. The Clark County 2016A refunding bonds pay semi-annual interest beginning May 1, 2016 continuing to November 1,

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2029. At that time, the entire principal of \$264.0 million is scheduled to be paid in full. Interest on the new issue is paid semiannually on May 1 and November 1. The blended interest rate is 1.65%. Over the life of the bond, the issue will reduce debt payment requirements by \$63.4 million. In present value terms, this equates to a \$55.9 million savings in debt requirements.

On April 6, 2016, LVVWD on behalf of SNWA issued LVVWD 2016A refunding bonds in the original amount of \$497.8 million. Proceeds from the bonds along with the \$84.4 million of premiums were deposited into escrow to partially refund the State of Nevada 2006D refunding bonds. The issue also generated \$520.0 million of new money which was reserved for capital expenditures. The LVVWD 2016A refunding bonds pay semi-annual interest beginning December 1, 2016 continuing to June 1, 2046. At that time the entire principal of \$497.8 million is scheduled to be paid in full. Interest on the new issue is paid semiannually on December 1 and June 1. The blended interest rate is 3.63%. Over the life of the bond, the issue will reduce debt payment requirements by \$9.6 million. In present value terms, this equates to an \$8.4 million in savings in debt requirements.

The following is a comprehensive summary of each of the outstanding long-term debt issues as of June 30, 2016.

Nevada Drinking Water State Revolving Fund Loan 1

Nevada law has created an account for the Nevada Drinking Water State Revolving Fund. This account finances the construction of public water system projects authorized by the federal Safe Drinking Water Act. This federally financed program requires that funds made available to each state must be committed and used each year; otherwise, future financing opportunities under the program are lost to the state. In 1999, the SNWA's CIP project to build ozone facilities to disinfect water at the Alfred Merritt Smith Water Treatment Facility qualified under the statutory and regulatory requirements. The SNWA applied for and received a loan from Nevada for the \$12.3 million in available funding to keep the money within Nevada. The interest rate on the loan is fixed at 3.61% and the term is 20 years. Constant semiannual payments of principal and interest are due on August 1 and February 1.

Nevada Drinking Water State Revolving Fund Loan 2

On June 29, 2001, the SNWA received a second loan from the Nevada Drinking Water State Revolving Fund in the amount of \$10.0 million. The SNWA applied for this loan to help preserve Nevada's access to federal Safe Drinking Water Act funds that would otherwise be lost to the public water systems in Nevada. The funds were reserved to pay for CIP construction expenditures. The interest rate on the loan is fixed at 3.46%, and the term is 20 years. Constant semiannual payments of principal and interest are due on August 1 and February 1.

Clark County 1106 Refunding Bonds

These general obligation bonds in the original amount of \$604.1 million were sold on November 2, 2006. The proceeds of the bond sale were used to partially refund \$103.1 million of the Clark County 2001 series bonds, and \$97.5 million of the Clark County 2002 series bonds. The issue also generated \$392.8 million of new money which was reserved for capital expenditures. Interest on these bonds is payable semiannually on May 1 and November 1. The Clark County 1106 bonds mature annually on November 1 through 2036. \$61.3 million of the proceeds from the Clark County 2009 refunding issue, the LVVWD 2011B issue and the LVVWD 2011C issue were used to partially refund selected payments of the Clark County 1106 bonds. The interest rate is 2.50% to 5.00%.

LVVWD 2008B Bonds

These general obligation bonds in the original amount of \$171.7 million were sold on February 19, 2008. The proceeds of the bond sale were used to refund \$183.4 million of the LVVWD 1998 series bonds. The LVVWD 2008B bonds mature annually on June 1 through 2026. \$51.9 million of the LVVWD 2011A issue was used to defease five

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years' principal on this issue. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 3.50% to 5.00%.

Clark County 2008 Bonds

These general obligation bonds in the original amount of \$400.0 million were sold on July 2, 2008. The proceeds of the bond sale were reserved to fund capital expenditures. The Clark County 2008 bonds mature annually on June 1 through 2038. Interest on these bonds is payable semiannually on December 1 and June 1. \$37.8 million of the proceeds from the Clark County 2009 refunding issue and the LVVWD 2011C issue were used to partially refund selected payment of the Clark County 2008 bonds. The interest rate is 5.00%.

SNWA Clean Renewable Energy 2008 Bonds

These Clean Renewable Energy (CRE) bonds in the original amount of \$6.9 million were sold on July 30, 2008. The proceeds of the bond sale reimbursed the SNWA for investments in clean energy capital projects. The SNWA Clean Renewable Energy 2008 bonds mature annually on December 15 through 2022. Interest on these bonds is payable quarterly on March 15, June 15, September 15, and December 15. The interest rate is 1.17%.

LVVWD 2009A Bonds

These taxable general obligation bonds in the original amount of \$90.0 million were issued on August 5, 2009. The proceeds of the bond sale were reserved to fund capital expenditures. The LVVWD 2009A bonds mature annually on June 1 through 2039. Interest on these bonds is payable semiannually on December 1 and June 1. Since the bonds were issued as Build America Bonds (BABs) as defined under the American Recovery and Reinvestment Act of 2009 (ARRA) the United States Treasury Department refunds 35.0% of all interest expense to the SNWA. On October 1, 2015, the Treasury Department lowered the refund to 32.62%. The interest rate is 7.10% before this Federal participation, and 4.78% after.

LVVWD 2009B Bonds

These general obligation bonds in the original amount of \$10.0 million were issued on August 5, 2009. The proceeds of the bond sale were reserved to fund capital expenditures. The LVVWD 2009B bonds mature annually on June 1 through 2032. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 4.00% to 5.25%.

Clark County 2009 Refunding Bonds

These general obligation bonds in the original amount of \$50.0 million were issued on October 22, 2009. The proceeds of the bond sale were used to partially refund the coupons from the following five bond series – Clark County 2000, Clark County 2001, Clark County 2002, Clark County 1106, and Clark County 2008. The Clark County 2009 refunding bonds mature annually on June 1 through 2030. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 5.00%.

State of Nevada 2009 Bonds

These general obligation bonds were issued by the State of Nevada on behalf of the SNWA on October 22, 2009. The obligation as represented by the bond is \$2.2 million. Semi-annual payments will be due on January 1 and July 1 with the final payment occurring on July 1, 2029. The bonds are interest free.

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LVVWD 2009D Bonds

These general obligation bonds in the original amount of \$72.0 million were sold on December 23, 2009. The proceeds of the bond sale were used to partially refund the LVVWD 2003B bonds with the remaining proceeds reserved for capital expenditures. The LVVWD 2009D bonds mature annually on June 1 through 2030. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 4.25% to 5.25%.

State of Nevada 2010B Bonds

These general obligation bonds in the original amount of \$7.4 million were sold on June 24, 2010. The proceeds of the bond sale were used to fully refund the State of Nevada 1997B bonds and partially refund the State of Nevada 2003C and State of Nevada 2006D bonds. These bonds mature annually on June 1 through 2020. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 3.70%.

LVVWD 2011A Refunding Bonds

These taxable general obligation bonds in the original amount of \$58.1 million were issued on May 24, 2011. Proceeds from the bonds were deposited into escrow to refund \$51.9 million of the LVVWD 2008B bonds. The LVVWD 2011A refunding bonds mature annually on June 1 beginning in 2015 and continuing through 2026. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 3.05% to 5.43%.

LVVWD 2011B Refunding Bonds

These taxable general obligation bonds in the original amount of \$129.7 million were issued on October 19, 2011. The proceeds of the bond sale were used to partially refund coupons from the following five bond series – State of Nevada 2005I, State of Nevada 2005F, State of Nevada 2006D, Clark County 2006 Refunding and Clark County 1106. The LVVWD 2011B refunding bonds mature annually on June 1 through 2027. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 2.79% to 4.96%.

LVVWD 2011C Refunding Bonds

These general obligation bonds in the original amount of \$267.8 million were issued on October 19, 2011. The proceeds of the bond sale were used to partially refund coupons from the following five bond series – State of Nevada 2005F, State of Nevada 2001, Clark County 2002, Clark County 1106, and Clark County 2008—as well as fully refunding LVVWD 2003B. The LVVWD 2011C refunding bonds mature annually on June 1 through 2038. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 2.00% to 5.00%.

Clark County 2012 Refunding Bonds

These general obligation bonds in the original amount of \$85.0 million were issued on June 20, 2012. The proceeds of the bond sale were used to completely refund the Clark County 2001 and the Clark County 2002 bonds. The SNWA 2012 bonds mature annually beginning June 1, 2013 and continue through June 1, 2032. Interest on these bonds is paid semiannually on June 1 and December 1. The interest rate is 4.00% to 5.00%.

LVVWD 2012B Bonds

These general obligation bonds in the original amount of \$360.0 million were issued on July 31, 2012. The proceeds of the bond sale were reserved for capital expenditures. The LVVWD 2012B bonds will mature annually beginning June 1, 2015 through 2042. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 3.00% to 5.00%.

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State of Nevada 2013 Refunding Bonds

These general obligation bonds in the original amount of \$21.7 million were issued on February 20, 2013. The proceeds of the bond sale were used to fully refund the State of Nevada 1998 bond. The State of Nevada 2013 refunding bonds have one principal payment scheduled for August 1, 2027. Interest on the bonds is payable semiannually on August 1 and February 1. The interest rate is 3.00%.

LVVWD 2015 Refunding Bonds

These general obligation bonds in the original amount of \$332.4 million were issued on January 13, 2015. The proceeds of the bond sale were used to completely refund the LVVWD 2009C Bonds. The LVVWD 2015 refunding bonds mature annually beginning June 1, 2031 and continue through June 1, 2039. Interest on these bonds is paid semiannually on December 1 and June 1. The interest rate is 4.00% to 5.00%.

LVVWD 2015B Refunding Bonds

These general obligation bonds in the original amount of \$177.6 million were issued on June 1, 2015. The proceeds of the bond sale were used to completely refund the State of Nevada 2005F and State of Nevada 2005H bonds. The LVVWD 2015B refunding bonds mature annually beginning December 1, 2016 and continue through December 1, 2027. Interest on these bonds is paid semiannually on December 1 and June 1. The interest rate is 4.00% to 5.00%.

LVVWD 2015C Refunding Bonds

These general obligation bonds in the original amount of \$42.1 million were issued on June 18, 2015. The proceeds of the bond sale were used to completely refund the State of Nevada 2005I bonds. The LVVWD 2015C refunding bonds mature annually beginning September 15, 2016 and continue through September 15, 2029. Interest on these bonds is paid semiannually on September 15 and March 15. The interest rate is 3.00% to 5.00%.

Clark County 2016A Refunding Bonds

These general obligation bonds in the original amount of \$264.0 million were issued on March 3, 2016. The proceeds of the bond sale were used to partially refund the Clark County 2006 and Clark County 1106 refunding bonds. The Clark County 2016A refunding bonds mature annually beginning November 1, 2016 and continue through November 1, 2029. Interest on these bonds is paid semiannually on May 1 and November 1. The interest rate is 4.50% to 5.00%.

LVVWD 2016A Refunding Bonds

These general obligation bonds in the original amount of \$497.8 million were issued on April 6, 2016. The proceeds of the bond sale were used to partially refund the State of Nevada 2006D refunding bonds. This issue also generated \$520.0 million of new money which was reserved for capital expenditures. The LVVWD 2016A refunding bonds mature annually beginning June 1, 2017 and continue through June 1, 2046. Interest on these bonds is paid semiannually on December 1 and June 1. The interest rate is 3.00% to 5.00%.

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The following schedules present changes in long-term debt issues and composition of outstanding debt for the fiscal years ended June 30, 2016 and June 30, 2015.

Outstanding Debt Activity, June 30, 2016

Debt Issue	Beginning Balance	Additions	Retirements	Ending Balance
Long-Term Debt				
State Revolving Fund Loan 1	\$ 3,932,448	\$ -	\$ (731,241)	\$ 3,201,207
State Revolving Fund Loan 2	4,025,874	-	(562,470)	3,463,404
Subtotal Notes Payable	7,958,322	-	(1,293,711)	6,664,611
Clark County 2006	210,210,000	-	(210,210,000)	-
State of Nevada 2006D	66,200,000	-	(66,200,000)	-
Clark County 1106	533,020,000	-	(113,885,000)	419,135,000
LVVWD 2008B	116,335,000	-	(10,445,000)	105,890,000
Clark County 2008	362,155,000	-	(8,740,000)	353,415,000
SNWA CREB 2008	3,680,000	-	(460,000)	3,220,000
LVVWD 2009A	90,000,000	-	-	90,000,000
LVVWD 2009B	9,285,000	-	(380,000)	8,905,000
Clark County 2009	44,395,000	-	(2,060,000)	42,335,000
State of Nevada 2009	1,834,836	-	(126,541)	1,708,295
LVVWD 2009D	63,195,000	-	(3,220,000)	59,975,000
State of Nevada 2010B	5,480,000	-	(1,020,000)	4,460,000
LVVWD 2011A	58,010,000	-	(4,255,000)	53,755,000
LVVWD 2011B	129,650,000	-	(9,220,000)	120,430,000
LVVWD 2011C	240,610,000	-	(9,670,000)	230,940,000
Clark County 2012	85,015,000	-	(5,500,000)	79,515,000
LVVWD 2012B	353,405,000	-	(6,790,000)	346,615,000
State of Nevada 2013	21,720,000	-	-	21,720,000
LVVWD 2015	332,405,000	-	-	332,405,000
LVVWD 2015B	177,635,000	-	-	177,635,000
LVVWD 2015C	42,125,000	-	-	42,125,000
Clark County 2016A	-	263,955,000	-	263,955,000
LVVWD 2016A	-	497,785,000	-	497,785,000
Subtotal Bonds Payable	2,946,364,836	761,740,000	(452,181,541)	3,255,923,295
Total Long-Term Debt				
Before Unamortized Discounts and Premiums	<u>\$ 2,954,323,158</u>	<u>\$ 761,740,000</u>	<u>\$ (453,475,252)</u>	<u>3,262,587,906</u>
Unamortized Discounts and Premiums				<u>265,871,073</u>
Net Debt				<u>\$ 3,528,458,979</u>

(Totals may not add due to rounding.)

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Composition of Outstanding Debt, June 30, 2016

Debt Issue	Ending Balance	Current Portion	Long-Term Portion	Accrued Interest
Long-Term Debt				
State Revolving Fund Loan 1	\$ 3,201,207	\$ 757,878	\$ 2,443,329	\$ 47,940
State Revolving Fund Loan 2	3,463,404	582,099	2,881,306	49,711
Subtotal Notes Payable	6,664,611	1,339,977	5,324,635	97,651
Clark County 1106	419,135,000	16,010,000	403,125,000	2,985,007
LVVWD 2008B	105,890,000	8,420,000	97,470,000	418,171
Clark County 2008	353,415,000	9,180,000	344,235,000	1,448,422
SNWA CREB 2008	3,220,000	460,000	2,760,000	1,638
LVVWD 2009A	90,000,000	-	90,000,000	523,770
LVVWD 2009B	8,905,000	395,000	8,510,000	35,206
Clark County 2009	42,335,000	2,160,000	40,175,000	173,504
State of Nevada 2009	1,708,295	126,540	1,581,755	-
LVVWD 2009D	59,975,000	3,385,000	56,590,000	245,347
State of Nevada 2010B	4,460,000	1,055,000	3,405,000	13,508
LVVWD 2011A	53,755,000	4,400,000	49,355,000	209,846
LVVWD 2011B	120,430,000	9,475,000	110,955,000	411,470
LVVWD 2011C	230,940,000	10,115,000	220,825,000	947,763
Clark County 2012	79,515,000	-	79,515,000	260,705
LVVWD 2012B	346,615,000	7,060,000	339,555,000	1,356,197
State of Nevada 2013	21,720,000	-	21,720,000	270,307
LVVWD 2015	332,405,000	-	332,405,000	1,341,824
LVVWD 2015B	177,635,000	10,675,000	166,960,000	709,689
LVVWD 2015C	42,125,000	2,640,000	39,485,000	578,350
Clark County 2016A	263,955,000	13,755,000	250,200,000	2,187,671
LVVWD 2016A	497,785,000	5,530,000	492,255,000	5,703,359
Subtotal Bonds Payable	3,255,923,295	104,841,540	3,151,081,755	19,821,753
Total Long-Term Debt				
Before Unamortized Discounts and Premiums	\$ 3,262,587,906	\$ 106,181,517	3,156,406,390	\$ 19,919,404
Unamortized Discounts and Premiums			265,871,073	
Net Long-Term Portion			\$ 3,422,277,463	

(Totals may not add due to rounding.)

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Outstanding Debt Activity, June 30, 2015

Debt Issue	Beginning Balance	Additions	Retirements	Ending Balance
Long-Term Debt				
State Revolving Fund Loan 1	\$ 4,637,991	\$ -	\$ (705,543)	\$ 3,932,448
State Revolving Fund Loan 2	4,569,375	-	(543,501)	4,025,874
Subtotal Notes Payable	9,207,366	-	(1,249,044)	7,958,322
State of Nevada 2005F	173,520,000	-	(173,520,000)	-
State of Nevada 2005H	31,620,000	-	(31,620,000)	-
State of Nevada 2005I	47,755,000	-	(47,755,000)	-
Clark County 2006	210,210,000	-	-	210,210,000
State of Nevada 2006D	66,200,000	-	-	66,200,000
Clark County 1106	533,020,000	-	-	533,020,000
LVVWD 2008B	116,335,000	-	-	116,335,000
Clark County 2008	362,155,000	-	-	362,155,000
SNWA CREB 2008	4,140,000	-	(460,000)	3,680,000
LVVWD 2009A	90,000,000	-	-	90,000,000
LVVWD 2009B	9,650,000	-	(365,000)	9,285,000
Clark County 2009	46,355,000	-	(1,960,000)	44,395,000
State of Nevada 2009	1,961,376	-	(126,540)	1,834,836
LVVWD 2009C	348,115,000	-	(348,115,000)	-
LVVWD 2009D	66,265,000	-	(3,070,000)	63,195,000
State of Nevada 2010B	6,460,000	-	(980,000)	5,480,000
LVVWD 2011A	58,110,000	-	(100,000)	58,010,000
LVVWD 2011B	129,650,000	-	-	129,650,000
LVVWD 2011C	249,995,000	-	(9,385,000)	240,610,000
Clark County 2012	85,015,000	-	-	85,015,000
LVVWD 2012B	360,000,000	-	(6,595,000)	353,405,000
State of Nevada 2013	21,720,000	-	-	21,720,000
LVVWD 2015	-	332,405,000	-	332,405,000
LVVWD 2015B	-	177,635,000	-	177,635,000
LVVWD 2015C	-	42,125,000	-	42,125,000
Subtotal Bonds Payable	3,018,251,376	552,165,000	(624,051,540)	2,946,364,836
Total Long-Term Debt				
Before Unamortized Discounts and Premiums	<u>\$ 3,027,458,742</u>	<u>\$ 552,165,000</u>	<u>\$ (625,300,584)</u>	2,954,323,158
Unamortized Discounts and Premiums				<u>141,760,244</u>
Net Debt				<u><u>\$ 3,096,083,402</u></u>

(Totals may not add due to rounding.)

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Composition of Outstanding Debt, June 30, 2015

Debt Issue	Ending Balance	Current Portion	Long-Term Portion	Accrued Interest
Long-Term Debt				
State Revolving Fund Loan 1	\$ 3,932,448	\$ 731,242	\$ 3,201,206	\$ 58,824
State Revolving Fund Loan 2	4,025,874	562,470	3,463,405	57,719
Subtotal Notes Payable	7,958,322	1,293,711	6,664,612	116,543
Clark County 2006	210,210,000	14,845,000	195,365,000	803,809
State of Nevada 2006D	66,200,000	6,020,000	60,180,000	-
Clark County 1106	533,020,000	-	533,020,000	3,928,891
LVVWD 2008B	116,335,000	10,445,000	105,890,000	460,978
Clark County 2008	362,155,000	8,740,000	353,415,000	1,484,242
SNWA CREB 2008	3,680,000	460,000	3,220,000	1,872
LVVWD 2009A	90,000,000	-	90,000,000	523,770
LVVWD 2009B	9,285,000	380,000	8,905,000	36,452
Clark County 2009	44,395,000	2,060,000	42,335,000	181,947
State of Nevada 2009	1,834,836	126,540	1,708,296	-
LVVWD 2009D	63,195,000	3,220,000	59,975,000	258,544
State of Nevada 2010B	5,480,000	1,020,000	4,460,000	16,597
LVVWD 2011A	58,010,000	4,255,000	53,755,000	221,533
LVVWD 2011B	129,650,000	9,220,000	120,430,000	432,547
LVVWD 2011C	240,610,000	9,670,000	230,940,000	984,517
Clark County 2012	85,015,000	5,500,000	79,515,000	283,246
LVVWD 2012B	353,405,000	6,790,000	346,615,000	1,378,459
State of Nevada 2013	21,720,000	-	21,720,000	270,000
LVVWD 2015	332,405,000	-	332,405,000	1,341,824
LVVWD 2015B	177,635,000	-	177,635,000	709,689
LVVWD 2015C	42,125,000	-	42,125,000	69,564
Subtotal Bonds Payable	2,946,364,836	82,751,540	2,863,613,296	13,388,481
Total Long-Term Debt				
Before Unamortized Discounts and Premiums	<u>\$ 2,954,323,158</u>	<u>\$ 84,045,251</u>	2,870,277,907	<u>\$ 13,505,024</u>
Unamortized Discounts and Premiums			<u>141,760,244</u>	
Net Long-Term Portion			<u>\$ 3,012,038,151</u>	

(Totals may not add due to rounding.)

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

The SNWA total debt service requirements to maturity (excluding CP) are as follows:

Long-Term Debt Service Requirements			
Fiscal Year Ending June 30	Principal	Interest ⁽¹⁾	Total
2017	\$ 106,181,516	\$ 159,843,946	\$ 266,025,462
2018	114,844,439	151,375,659	266,220,098
2019	120,669,074	146,165,082	266,834,156
2020	126,290,486	140,512,177	266,802,663
2021	132,329,253	134,492,157	266,821,410
2022-2026	744,850,247	569,008,779	1,313,859,025
2027-2031	653,192,891	393,051,740	1,046,244,631
2032-2036	598,970,000	255,344,253	854,314,253
2037-2041	511,150,000	103,019,263	614,169,263
2042-2046	154,110,000	21,437,900	175,547,900
	<u>3,262,587,906</u>	<u>\$ 2,074,250,954</u>	<u>\$ 5,336,838,860</u>
Unamortized Discounts and Premiums ⁽²⁾	265,871,073		
Total Debt Service	<u><u>\$ 3,528,458,979</u></u>		

(Totals may not add due to rounding.)

⁽¹⁾ Gross interest, not reduced by anticipated BAB Subsidy.

⁽²⁾ Total debt service on the Statement of Net Position includes unamortized discounts and premiums. The balance in that account is shown here for consistency purposes.

NOTE 17. CAPITAL CONTRIBUTIONS

Income restricted for capital improvement plans and other expansion programs are reported on the Statements of Revenues, Expenses and Changes in Net Position as capital contributions. Capital contributions received for the fiscal years ended June 30, 2016 and 2015 are as follows:

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

Type	June 30, 2016	June 30, 2015
Regional Infrastructure Charge	\$ 106,459,684	\$ 87,046,856
Regional Connection Charge ⁽¹⁾	63,781,176	66,015,927
Sales Tax	58,152,408	55,933,316
Regional Commodity Charge	56,621,516	48,885,982
Southern Nevada Public Lands Management Act	6,028,449	8,781,769
Regional Reliability Surcharge	5,082,720	4,875,676
Purveyor Member Debt Service Billings	3,665,177	2,443,025
Contributed Capital - Cash and Equivalents	899,896	7,944,857
Total Capital Contributions	\$ 300,691,026	\$ 281,927,406

(Totals may not add due to rounding.)

⁽¹⁾ Adjusted by Pending Regional Connection Charge Refund Contingency.

Capital contributions presented in the Statements of Cash Flows differ somewhat from the amounts above because of accruals and use of some capital contributions for expenses related to expansion programs. The differences in capital contributions for the fiscal years ended June 30, 2016 and 2015 were as follows:

Reconciliation Of Capital Contributions		
Type	June 30, 2016	June 30, 2015
Capital Contributions per Statements of Revenues, Expenses and Changes in Net Position	\$ 300,691,026	\$ 281,927,406
Expenses Related to Expansion Programs	(12,858,154)	(11,390,851)
Net Prior and Current Year Sales Tax Receivables	(593,452)	(720,516)
Net Prior and Current Year Sales Tax Payable To	120,400	277,766
Net Prior and Current Year Connection, Commodity, and Reliability Receivables	(943,205)	(3,981,752)
Net Prior and Current Year Southern NV Public Lands Management Act Receivable	3,180,562	(4,730,945)
Capital Contributions Per Statements of Cash Flows	\$ 289,597,177	\$ 261,381,108

(Totals may not add due to rounding.)

Boulder City and Nellis Air Force Base Interlocal Agreements

In addition to the revenues shown above, the SNWA currently holds interlocal agreements with the City of Boulder City and Nellis Air Force Base. Neither of these SNWA members collect regional infrastructure charges, regional connection charges, regional commodity charges, or regional reliability surcharges, which help pay for many SNWA capital projects including the completed Lake Mead Intake No. 3 project. Both the City of Boulder City and Nellis Air Force Base realize that the intake provides additional reliability of water resources for their areas and have therefore agreed to pay for a portion of the construction cost through annual payments to the SNWA. As of June 30, 2016, the City of Boulder City has paid their entire portion. Payments from the interlocal agreements are in lieu of the regional charges mentioned above and will be classified as capital contributions when received in compliance with paragraph 6.79 of the American Institute of Certified Public Accountants' Audit and Accounting Guide, *State and Local Governments*.

NOTE 18. RISK MANAGEMENT

The SNWA is exposed to a variety of risks that may result in losses. These risks include possible losses related to torts; theft of, damage to, or destruction of assets; extra expense; errors and omissions; job-related illnesses or injuries to employees; product liability claims; and natural disasters. The SNWA manages these risks through a multifaceted approach, which includes transfer, elimination, avoidance, reduction, and/or assumption of risk of loss.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal years ended June 30, 2016 and 2015

The SNWA purchases insurance from the commercial insurance market on real and personal property, including earthquake and flood, with common policy restrictions covering direct physical loss of, or damage to, buildings, fixtures, equipment, boilers, machinery, and supplies. The blanket limit of liability under the property insurance program is \$500.0 million with a deductible of \$1.0 million for all locations, except earthquake and flood which has a limit of \$100.0 million and \$50.0 million respectively and a deductible of \$0.1 million. This program also provides terrorism insurance for all locations with a blanket limit of \$500.0 million for all terrorist acts. The SNWA self-insures the first \$1.0 million for automobile and general liability exposure and purchases excess liability insurance in the amount of \$30.0 million. Employee fidelity insurance in the amount of \$3.0 million and other miscellaneous coverages are also purchased. For the fiscal year ended June 30, 2016, the SNWA had no significant reductions in insurance coverage from the prior fiscal year.

In contracts, the SNWA obtains indemnification and hold harmless agreements. These agreements require that contractors name the SNWA as an additional insured under the indemnitor's insurance coverage, usually in the amount of \$1.0 million to \$10.0 million for commercial general and automobile liability insurance. The SNWA provides builders risk insurance for all construction projects with a blanket limit of \$500.0 million per contract, with a \$50,000 deductible per occurrence, except earthquake and flood where the deductible is \$0.5 million per occurrence. This coverage is included under the property insurance policy. The SNWA purchased a separate Builders Risk policy to insure the Lake Mead Intake No. 3 project during construction. The limit on this policy is \$580.0 million with deductibles of \$1.0 million for all underground works losses and earthquakes, \$0.3 million for testing and \$0.1 million for any other loss. Insurance for terrorist acts was also purchased for this project with a limit of \$580.0 million and a deductible of \$0.1 million.

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that for retained risks, a liability for claims be reported if information available prior to issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. As of June 30, 2016, the SNWA has no significant retained risks and therefore has no accrued liability for retained risks. In addition, there are also situations in which incidents occur before the balance sheet date, but claims are not reported or asserted when the financial statements are prepared. As of June 30, 2016, the SNWA has no significant retained risks and therefore has no accrued liability for retained risks.

NOTE 19. JOINT VENTURE

The SNWA is a member of the Silver State Energy Association (SSEA). The SSEA was established as a joint venture through an interlocal agreement among its members, which in addition to the SNWA, include the City of Boulder City, Lincoln Power District No. 1, Overton Power District No. 5, and the CRC (Members).

The SSEA is an association of public agencies with the common goal of jointly planning, developing, owning and operating power resources to meet their own needs and those of their customers. The economies of scale produced by the SSEA offer improved project development opportunities and power purchasing capabilities, the sharing of resources and expertise, and the opportunity for jointly managed energy needs.

As appropriate projects are selected for development, the Members involved in each project enter into a project service agreement indicating each participating Member's allocation of project costs and benefits.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

The business and other affairs of the SSEA are conducted by a Board of Directors consisting of one director appointed by each Member. The appointed director may, but need not be, a member of the governing body of the Member.

Financial information regarding SSEA can be obtained by writing to:

Finance Director

P.O. Box 99956, MS 115

Las Vegas, NV 89193-9956

NOTE 20. SUBSEQUENT EVENTS

On August 3, 2016, Clark County issued \$271.7 million in general obligation bonds on behalf of the SNWA (Clark County 2016B). This issue partially refunded coupons from the Clark County 1106 Refunding Bonds. The issue was sold at a premium of \$66.9 million and it has a true interest cost of 2.20%.