

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 7, 2017

**NEW ISSUES
BOOK-ENTRY ONLY**

**RATINGS: S&P: "AA"
Moody's: "Aa1"
See "RATINGS"**

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

\$129,330,000*

**Las Vegas Valley
Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by Pledged Revenues)
Water Refunding Bonds
Series 2017A**

\$23,435,000*

**Las Vegas Valley
Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by SNWA Pledged Revenues)
Water Refunding Bonds
Series 2017B**

Dated: Date of Delivery

**Series 2017A Due: February 1, as shown herein
Series 2017B Due: June 1, as shown herein**

The 2017 Bonds (defined herein) are issued as fully registered bonds in denominations of \$5,000, or any integral multiple thereof. The 2017 Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the 2017 Bonds. Purchases of the 2017 Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the 2017 Bonds. See "THE 2017 Bonds - Book-Entry Only System." The 2017 Bonds bear interest at the rates set forth herein, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017 with respect to the 2017A Bonds and on June 1 and December 1 of each year commencing June 1, 2017 with respect to the 2017B Bonds, to and including the maturity dates shown herein (unless redeemed earlier). Interest on the 2017 Bonds will be paid by check or draft mailed to the registered owner of the 2017 Bonds, initially Cede & Co. The principal of, and premium, if any, on the 2017 Bonds will be payable upon presentation and surrender at the principal operations office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or its successor as the paying agent for the 2017 Bonds. See "THE 2017 BONDS."

The maturity schedule for each series of the 2017 Bonds appears on the inside cover page of this Official Statement.

The 2017 Bonds are subject to optional redemption prior to maturity at the option of the Las Vegas Valley Water District, Nevada (the "District"). At the option of the winning bidder, certain of the 2017 Bonds may also be subject to mandatory sinking fund redemption as set forth herein. See "THE 2017 Bonds - Redemption Provisions."

Proceeds of the 2017A Bonds (as defined herein) will be used to: (i) refinance, together with other available funds, certain outstanding District bonds as more particularly described herein; and (ii) pay the costs of issuing the 2017A Bonds. Proceeds of the 2017B Bonds (as defined herein) will be used to: (i) refinance, together with other available funds, certain outstanding District bonds issued on behalf of the Southern Nevada Water Authority (the "SNWA"), as more particularly described herein; and (iii) pay the costs of issuing the 2017B Bonds. See "SOURCES AND USES OF FUNDS."

The 2017 Bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal and interest subject to Nevada constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See "SECURITY FOR THE 2017A BONDS - General Obligation Bonds" and "SECURITY FOR THE 2017B BONDS - General Obligation Bonds." The 2017A Bonds are additionally secured by certain Net Pledged Revenues of the District. See "SECURITY FOR THE 2017A BONDS - Net Pledged Revenues." The 2017B Bonds are additionally secured by a pledge of certain revenues received by the District from the SNWA in an amount sufficient to pay debt service on the 2017B Bonds. See "SECURITY FOR THE 2017B BONDS - SNWA Pledged Revenues."

This cover page contains certain information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2017 Bonds are offered when, as, and if issued by the District and accepted by the initial purchasers, subject to the approval of legality of the 2017 Bonds by Sherman & Howard L.L.C., Las Vegas, Nevada, Bond Counsel, and the satisfaction of certain other conditions. Greenberg Traurig, LLP, Las Vegas, Nevada, has acted as special counsel to the District in connection with the preparation of this Official Statement. Certain legal matters will be passed upon for the District by the District's General Counsel. It is expected that the 2017 Bonds will be available for delivery through the facilities of DTC on or about March 14, 2017.

* Preliminary, subject to change.

MATURITY SCHEDULE
(CUSIP[®] 6-digit issuer number: 517845)

\$129,330,000*
Las Vegas Valley Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by Pledged Revenues)
Water Refunding Bonds
Series 2017A

| <u>Maturing (February 1)</u> | <u>Principal Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP[®] Issue No.</u> |
|----------------------------------|------------------------------|--------------------------|--------------|--|
| 2018 | \$ 885,000 | | | |
| 2019 | 4,285,000 | | | |
| 2020 | 4,410,000 | | | |
| 2021 | 4,545,000 | | | |
| 2022 | 4,680,000 | | | |
| 2023 | 4,870,000 | | | |
| 2024 | 5,065,000 | | | |
| 2025 | 5,265,000 | | | |
| 2026 | 5,480,000 | | | |
| 2027 | 5,700,000 | | | |
| 2028 | 5,920,000 | | | |
| 2029 | 6,225,000 | | | |
| 2030 | 6,530,000 | | | |
| 2031 | 6,855,000 | | | |
| 2032 | 7,200,000 | | | |
| 2033 | 7,560,000 | | | |
| 2034 | 7,940,000 | | | |
| 2035 | 8,335,000 | | | |
| 2036 | 8,750,000 | | | |
| 2037 | 9,185,000 | | | |
| 2038 | 9,645,000 | | | |

* Preliminary, subject to change.

\$23,435,000*
Las Vegas Valley Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by SNWA Pledged Revenues)
Water Refunding Bonds
Series 2017B

| <u>Maturing (June 1)</u> | <u>Principal Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP® Issue No.</u> |
|------------------------------|------------------------------|--------------------------|--------------|-----------------------------|
| 2020 | \$ 1,775,000 | | | |
| 2021 | 1,855,000 | | | |
| 2022 | 1,925,000 | | | |
| 2023 | 2,005,000 | | | |
| 2024 | 2,085,000 | | | |
| 2025 | 2,165,000 | | | |
| 2026 | 2,250,000 | | | |
| 2027 | 2,345,000 | | | |
| 2028 | 1,825,000 | | | |
| 2029 | 1,900,000 | | | |
| 2030 | 1,980,000 | | | |
| 2031 | 650,000 | | | |
| 2032 | 675,000 | | | |

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* Preliminary, subject to change.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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

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

The 2017 Bonds have not been registered with the Securities and Exchange Commission (the "SEC") due to certain exemptions contained in the Securities Act of 1933, as amended. The 2017 Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document. For purposes of compliance with Rule 15c2-12 of the SEC, as amended, and in effect on the date hereof, this document in the form of a Preliminary Official Statement constitutes an official statement of the District that has been deemed final by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

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Dallas, Texas

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OFFICIAL STATEMENT

\$129,330,000*
Las Vegas Valley
Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by Pledged Revenues)
Water Refunding Bonds
Series 2017A

\$23,435,000*
Las Vegas Valley
Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by SNWA Pledged Revenues)
Water Refunding Bonds
Series 2017B

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices, is furnished by the Las Vegas Valley Water District, Nevada (the “District”), to provide information about the District, the Southern Nevada Water Authority, Nevada (the “SNWA”) and the District’s: (i) \$129,330,000* General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2017A (the “2017A Bonds”) and (ii) \$23,435,000* General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B (the “2017B Bonds” and together with the 2017A Bonds, the “2017 Bonds”). The 2017 Bonds will be issued pursuant to separate resolutions adopted by the District’s Board of Directors (the “Board”) on February 7, 2017; one resolution authorizes the 2017A Bonds (the “2017A Resolution”) and one resolution authorizes the 2017B Bonds (the “2017B Resolution” and together with the 2017A Resolution, the “Bond Resolutions”).

The offering of the 2017 Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the 2017 Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. Detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page, the inside cover page and the appendices, is unauthorized. Undefined capitalized terms have the meanings given in the Bond Resolutions. See Appendix C - Summary of Certain Provisions of the Bond Resolutions.

The District

The District was created under a special act of the Nevada State Legislature (the “Legislature”) in 1947 as a governmental subdivision of the State of Nevada (the “State”) and a quasi-municipal corporation. The District was created for the purpose of obtaining and distributing water primarily in the Las Vegas Valley, which includes the metropolitan area of Clark County, Nevada (the “County”) and the City of Las Vegas. The Clark County Board of Commissioners serves as the District’s Board and governs the activities of the District. See “LAS VEGAS VALLEY WATER DISTRICT.”

The SNWA

The SNWA is a regional agency created in 1991 by seven governmental agencies in the County (the “Members,” described below) to address water issues, develop additional water supplies, and build

* Preliminary, subject to change.

and operate water treatment and transmission facilities on a regional basis. The Members are the District, the City of Boulder City, the City of Henderson, the City of Las Vegas, the City of North Las Vegas, the Big Bend Water District and the Clark County Water Reclamation District. The SNWA was formed and operates pursuant to an Amended Cooperative Agreement among the Members, originally effective as of July 25, 1991, and subsequently amended (the “Cooperative Agreement”). After its formation, the SNWA assumed all assets and liabilities of the Southern Nevada Water System (“SNWS”) from the Colorado River Commission (“CRC”) and purchased all SNWS assets formerly owned by the federal government.

The District operates and maintains the SNWS, as agent for the SNWA, pursuant to an Amended Facilities and Operations Agreement, effective September 5, 2012 (the “Operations Agreement”), between the SNWA and four of the Members (Boulder City, Henderson, North Las Vegas and the District (collectively, the “purveyor members”). Pursuant to the Operations Agreement, the purveyor members (and certain other users as described herein) have contracted with the SNWA for the provision of potable water. The District is the largest purveyor member, accounting for approximately 69.5% of the water deliveries from the SNWS in fiscal year 2015-16. See “SOUTHERN NEVADA WATER AUTHORITY.”

The 2017 Bonds; Prior Redemption

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

Certain 2017 Bonds are subject to redemption prior to maturity at the option of the District as described in “THE 2017 BONDS - Prior Redemption.” At the option of the winning bidder, certain of the 2017 Bonds may also be subject to mandatory sinking fund redemption. See Appendix G - Official Notice of Bond Sale of 2017A Bonds and Appendix H – Official Notice of Bond Sale of 2017B Bonds.

Authority for Issuance

The 2017 Bonds are being issued pursuant to Chapter 167, Statutes of Nevada, 1947 as amended and supplemented (the “District Act”), Nevada Revised Statutes (“NRS”) Chapter 350.500 through 350.720, designated as the “Local Government Securities Law” (the “Bond Act”), Chapter 348 of NRS and the Bond Resolutions.

Purpose

2017A Bonds – General. Proceeds of the 2017A Bonds are expected to be used to: (i) refinance, together with other available funds, all or a portion of the District’s General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Improvement and Refunding Bonds, Series 2008A (the “2008A Bonds” or the “2008A Refunded Bonds”), as more particularly described below (the “2017A Refunding Project”); and (ii) pay the costs of issuing the 2017A Bonds. See “SOURCES AND USES OF FUNDS.”

Bonds to be Refunded with 2017A Bond Proceeds

| Name of Bond Issue | Amount Outstanding as of February 1, 2017 | Amount Refunded | Maturity Date (February 1) | Redemption Date | Refunded CUSIP |
|-----------------------|---|--------------------|-------------------------------|--------------------|-------------------|
| The 2008A Bonds | \$ 4,190,000 | \$ 4,190,000 | 2019 | 2/1/18 | 517840G99 |
| | 4,400,000 | 4,400,000 | 2020 | 2/1/18 | 517840H23 |
| | 4,620,000 | 4,620,000 | 2021 | 2/1/18 | 517840H31 |
| | 4,850,000 | 4,850,000 | 2022 | 2/1/18 | 517840H49 |
| | 5,095,000 | 5,095,000 | 2023 | 2/1/18 | 517840H56 |
| | 5,350,000 | 5,350,000 | 2024 | 2/1/18 | 517840H64 |
| | 5,615,000 | 5,615,000 | 2025 | 2/1/18 | 517840H72 |
| | 5,900,000 | 5,900,000 | 2026 | 2/1/18 | 517840H80 |
| | 6,195,000 | 6,195,000 | 2027 | 2/1/18 | 517840H98 |
| | 6,500,000 | 6,500,000 | 2028 | 2/1/18 | 517840J21 |
| | 6,830,000 | 6,830,000 | 2029 | 2/1/18 | 517840J39 |
| | 7,170,000 | 7,170,000 | 2030 | 2/1/18 | 517840J47 |
| | 7,525,000 | 7,525,000 | 2031 | 2/1/18 | 517840J54 |
| | 7,905,000 | 7,905,000 | 2032 | 2/1/18 | 517840J62 |
| | 8,300,000 | 8,300,000 | 2033 | 2/1/18 | 517840J70 |
| | 8,715,000 | 8,715,000 | 2034 | 2/1/18 | 517840J88 |
| | 9,150,000 | 9,150,000 | 2035 | 2/1/18 | 517840J96 |
| | 9,605,000 | 9,605,000 | 2036 | 2/1/18 | 517840K29 |
| | 10,085,000 | 10,085,000 | 2037 | 2/1/18 | 517840K37 |
| | 10,590,000 | 10,590,000 | 2038 | 2/1/18 | 517840K45 |

2017B Bonds – General. Proceeds of the 2017B Bonds are expected to be used to: (i) refinance, together with other available funds, all or a portion of the District’s General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Bonds, Series 2009B (the “2009B Bonds” or the “2009B Refunded Bonds”) and a portion of the General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water and Refunding Bonds, Series 2009D (the “2009D Bonds” or the “2009D Refunded Bonds”), as more particularly described below (the “2017B Refunding Project”); and (ii) pay the costs of issuing the 2017B Bonds. See “SOURCES AND USES OF FUNDS.”

Bonds to be Refunded with 2017B Bond Proceeds

| Name of Bond Issue | Amount Outstanding as of June 1, 2017 | Amount Refunded | Maturity Date (June 1) | Redemption Date | Refunded CUSIP |
|-----------------------|---|--------------------|---------------------------|--------------------|-------------------|
| The 2009B Bonds | \$ 440,000 | \$ 440,000 | 2020 | 6/1/19 | 517840R97 |
| | 460,000 | 460,000 | 2021 | 6/1/19 | 517840S21 |
| | 1,500,000 | 1,500,000 | 2024 | 6/1/19 | 517840S39 |
| | 3,050,000 | 3,050,000 | 2029 | 6/1/19 | 517840R71 |
| | 2,225,000 | 2,225,000 | 2032 | 6/1/19 | 517840R89 |

| Name of Bond Issue | Amount | Amount Refunded | Maturity Date (June 1) | Redemption Date | Refunded CUSIP |
|-----------------------|-----------------------------------|--------------------|---------------------------|--------------------|-------------------|
| | Outstanding as of June 1, 2017 | | | | |
| The 2009D Bonds | \$ 3,910,000 | \$ 1,235,000 | 2020 | 6/1/19 | 517840T53 |
| | 4,110,000 | 1,300,000 | 2021 | 6/1/19 | 517840T61 |
| | 4,315,000 | 1,365,000 | 2022 | 6/1/19 | 517840T79 |
| | 4,530,000 | 1,435,000 | 2023 | 6/1/19 | 517840T87 |
| | 4,755,000 | 1,505,000 | 2024 | 6/1/19 | 517840T95 |
| | 4,955,000 | 1,570,000 | 2025 | 6/1/19 | 517840U28 |
| | 5,205,000 | 1,645,000 | 2026 | 6/1/19 | 517840U36 |
| | 5,470,000 | 1,730,000 | 2027 | 6/1/19 | 517840U51 |
| | 12,060,000 | 3,815,000 | 2030 | 6/1/19 | 517840U44 |

The Refunding Projects. The 2017A Refunding Project and the 2017B Refunding Project are referred to collectively herein as the “2017 Refunding Project.” The maturities of the various bond issues illustrated in the two tables above are referred to collectively as the “Refunded Bonds.” The specific amount, if any, of each maturity of the outstanding 2008A Bonds, 2009B and 2009D Bonds (collectively, the “Refunded Bonds”) that will be refunded will be determined by the District on the day of pricing of the 2017 Bonds.

Security

General Obligation. The 2017 Bonds constitute direct and general obligations of the District. The full faith and credit of the District is pledged for the payment of principal and interest due thereon, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. Generally, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation. \$0.02 of the statewide property tax rate of \$0.17 per \$100 assessed valuation is not included in computing compliance with this \$3.64 cap. State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon. See “SECURITY FOR THE 2017A BONDS - General Obligation Bonds,” “SECURITY FOR THE 2017B BONDS - General Obligation Bonds” and “PROPERTY TAX INFORMATION - Property Tax Limitations.”

Net Pledged Revenues Additionally Secure the 2017A Bonds. The 2017A Bonds are additionally secured by an irrevocable lien on the net revenues received by the District from the sale and distribution of water, connection charges or otherwise derived from the works or property of the District, including works or property acquired in the future (the “Water System”) after payment of the reasonable and necessary operation and maintenance expenses of the Water System and the general expenses of the District (the “Net Pledged Revenues”). See “SECURITY FOR THE 2017A BONDS - Net Pledged Revenues” and Appendix C - Summary of Certain Provisions of the Bond Resolutions.

The 2017A Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Pledged Revenues, subject to and after the prior lien on the Net Pledged Revenues of any superior lien obligations of the District hereafter issued in accordance with the 2017A Bond Resolution (“Superior Lien Obligations”) and on a parity with the lien of (i) the District’s currently outstanding parity lien bonds (the “Parity Bonds”) described under the caption “LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE – Outstanding Indebtedness,” and (ii) any additional parity lien obligations issued in the future in accordance with the 2017A Bond Resolution (the “Additional Parity Bonds”). See “SECURITY

FOR THE 2017A BONDS - Additional Securities.” The District has not issued any Superior Lien Obligations as of the date of this Official Statement and does not have any current plans to do so.

The SNWA imposes several charges on the purveyor members, including the District, in order to fund the SNWA’s operating and capital costs, including a Wholesale Delivery Charge, a Connection Charge, a Commodity Charge, a Reliability Surcharge and a Regional Infrastructure Charge. See “SOUTHERN NEVADA WATER AUTHORITY - The Operations Agreement” for a description of each of those charges. The District pays the Wholesale Delivery Charge to the SNWA for the water it purchases from the SNWA for resale to the District’s retail customers. The District’s policy is to impose a Connection Charge, a Commodity Charge, a Reliability Surcharge and a Regional Infrastructure Charge on its retail customers in the same amounts it is required to pay to the SNWA, and as a result, the amounts collected and the amounts required to be paid to the SNWA offset each other for accounting purposes. The amounts collected by the District pursuant to those charges constitute District revenues for purposes of calculating Net Pledged Revenues pursuant to the 2017A Bond Resolution. However, the amounts collected by the District are required to be paid to the SNWA in accordance with the terms of the Operations Agreement. All amounts due to the SNWA (including Wholesale Delivery Charges) are included as a component of District operation and maintenance expenses of the works and properties of the District and/or general expenses of the District for purposes of calculating Net Pledged Revenues pursuant to the 2017A Bond Resolution and thus are payable prior to the payment of the 2017A Bonds and other Parity Bonds.

To the extent that any of the SNWA rates and charges increase without a corresponding increase in District rates and charges, the Net Pledged Revenues would be negatively impacted. In addition, under certain circumstances, the SNWA may require the District (and the other purveyor members) to pay the delinquency of another purveyor member under the Operations Agreement; should that occur, the District’s expenses would increase and the Net Pledged Revenues would be negatively impacted. “SOUTHERN NEVADA WATER AUTHORITY - The Operations Agreement - Optional Step-Up Charges.”

The District has other outstanding obligations that are described in “LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE.”

SNWA Pledged Revenues Additionally Secure the 2017B Bonds. The 2017B Bonds are additionally secured by an irrevocable lien on the revenues received by the District from the SNWA pursuant to a Master Bond Repayment Agreement dated July 1, 1996, as amended (the “MBRA”), between the District and SNWA (the “SNWA Pledged Revenues”). The MBRA requires the SNWA to pay the District an amount sufficient to pay all debt service on the 2017B Bonds issued on behalf of the SNWA by the District. The SNWA Pledged Revenues are paid by the SNWA from revenues derived from the operation of the SNWS, including all revenues, charges or fees for commodities and services rendered by the SNWS, which include, but are not limited to, connection fees, tap fees, flat fees, meter charges and all other charges made for services, water or other commodities furnished by the SNWS and all other amounts received directly or indirectly, under the Cooperative Agreement (the “SNWA Water Revenues”). See Appendix C - Summary of Certain Provisions of the Bond Resolutions.

As described in “SOUTHERN NEVADA WATER AUTHORITY - Funding Sources,” the Operations Agreement requires that the Members reimburse the SNWA for all operations and maintenance expenses, debt service and reserve requirements of the SNWS. Pursuant to the Operations Agreement, the SNWA derives the majority of the SNWA Water Revenues from payments received from the Members. Although not mandated by the Operations Agreement, each Member may pass through the amounts needed to reimburse the SNWA to its water system customers. Also see “SOUTHERN NEVADA WATER AUTHORITY - The Operations Agreement.” There will be SNWA Superior Obligations outstanding in the aggregate principal amount of \$4,460,000 and no MBRA Senior Lien

Obligations outstanding. The SNWA does not have any plans to issue additional Superior Lien Obligations or MBRA Senior Lien Obligations as of the date of this Official Statement.

The SNWA has outstanding certain bonds or other obligations with a lien on the SNWA Water Revenues that are superior to, on a parity with and subordinate to the lien thereon of the 2017B Bonds. See the table in “SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations.”

Professionals

Sherman & Howard, L.L.C., Las Vegas, Nevada is serving as Bond Counsel to the District in connection with the issuance of the 2017 Bonds. Greenberg Traurig, LLP, Las Vegas, Nevada is serving as Special Counsel to the District in connection with the preparation of this Official Statement. The District’s financial advisors in connection with the issuance of the 2017 Bonds are: Hobbs, Ong and Associates, Inc., Las Vegas, Nevada, and Public Financial Management, Inc., Seattle, Washington (collectively, the “Financial Advisors”). See “FINANCIAL ADVISORS.” The fees being paid to Bond Counsel, Special Counsel and the Financial Advisors are contingent upon the execution and delivery of the 2017 Bonds. The audited basic financial statements of the District and the SNWA contained in Appendix A and Appendix B, respectively, include the respective reports of Piercy Bowler Taylor & Kern, Las Vegas, Nevada, independent certified public accountants. See “INDEPENDENT AUDITORS.” The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, will act as registrar and paying agent for the 2017 Bonds (the “Registrar” and the “Paying Agent”) and also is acting as the escrow bank (the “Escrow Bank”) in connection with the 2017 Refunding Project. Certain mathematical computations regarding the escrow account established for the 2017 Refunding Project will be verified by Grant Thornton LLP, independent certified public accountants, Minneapolis, Minnesota. See “SOURCES AND USES OF FUNDS - The 2017 Refunding Project - Verification of Mathematical Computations.”

Tax Status

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

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

Continuing Disclosure Undertakings

The District and the SNWA each will execute continuing disclosure certificates (collectively, the “Disclosure Certificates”) at the time of the closing of the 2017 Bonds. The Disclosure Certificates will be executed for the benefit of the beneficial owners of the applicable series of the 2017 Bonds and the District will covenant in the Bond Resolutions to comply with the terms of its Disclosure Certificates. The Disclosure Certificates will provide that so long as the 2017 Bonds remain outstanding, the District and the SNWA, as applicable, will annually provide the following information to the Municipal Securities Rulemaking Board (“MSRB”): (i) certain financial information and operating data on an annual basis; and (ii) notice of certain material events. The form of each Disclosure Certificate is attached hereto as

Appendix E. Neither the District nor the SNWA has failed to materially comply with any continuing disclosure undertakings entered into pursuant to the Rule in the last five years.

Forward-Looking Statements

This Official Statement, particularly (but not limited to) the sections entitled “LAS VEGAS VALLEY WATER DISTRICT FINANCIAL INFORMATION,” “SNWA FINANCIAL INFORMATION – Summary Of Operating Revenues, Expenses and Changes in Net Position,” descriptions of interim, estimated or other unaudited financial results for certain portions of fiscal year 2017, descriptions of budgeted amounts for fiscal year 2017, and other descriptions of the future plans, operations and finances of the District and the SNWA, contains statements relating to future events or results that are “forward- looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of pledged revenues to pay debt service on the 2017 Bonds.

Additional Information

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

Additional information and copies of the documents referred to herein are available from the District and the Financial Advisors at the addresses set forth below:

Las Vegas Valley Water District
Attn: Finance Department
1001 S. Valley View Boulevard
Las Vegas, Nevada 89153
Telephone: (702) 658-3106

Hobbs, Ong and Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89169
Telephone: (702) 733-7223

Public Financial Management, Inc.
1200 Fifth Avenue, Suite 1200
Seattle, Washington 98101
Telephone: (206) 264-8900

SOURCES AND USES OF FUNDS

Sources and Uses of Funds

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

Sources and Uses of Funds

| <u>SOURCES:</u> | <u>2017A Bonds</u> | <u>2017B Bonds</u> |
|---|------------------------|------------------------|
| Principal amount..... | | |
| Plus: original issue premium..... | | |
| Other available funds ⁽¹⁾ | | |
| Total..... | | |
| <u>USES:</u> | | |
| 2017 Refunding Project | | |
| Costs of issuance (including underwriting discount) | | |
| Total..... | | |

⁽¹⁾ Consists of funds on deposit in the bond funds for the Refunded Bonds.

Source: The Financial Advisors.

The 2017 Refunding Project

The 2017A Refunding Project. The 2017A Refunding Project is being undertaken for economic savings. A portion of the 2017A Bond proceeds will be used to advance refund the 2008A Bonds identified in the table entitled “Bonds to be Refunded with 2017A Bond Proceeds” (see “INTRODUCTION – Purpose”).

To accomplish the 2017A Refunding Project, the District will deposit a portion of the 2017A Bond proceeds, together with other available funds, with the Escrow Bank pursuant to an escrow agreement dated as of the date of delivery of the 2017A Bonds. The amounts deposited with the Escrow Bank will be deposited into the escrow account created under the 2017A Bond Resolution and invested in Federal Securities maturing at such times and in such amounts as required to provide funds sufficient to pay the principal and interest on the 2008A Refunded Bonds as it becomes due or upon prior redemption, as identified in the escrow agreement, on February 1, 2018.

The 2017B Refunding Project. The District is undertaking the 2017B Refunding Project at the request of the SNWA for economic savings. A portion of the 2017B Bond proceeds will be used to advance refund the 2009B Bonds and 2009D Bonds identified in the table entitled “Bonds to be Refunded with 2017B Bond Proceeds” (see “INTRODUCTION - Purpose”).

To accomplish the 2017B Refunding Project, the District will deposit a portion of the 2017B Bond proceeds, together with other available funds, with the Escrow Bank pursuant to an escrow agreement dated the date of delivery of the 2017B Bonds. The amounts deposited with the Escrow Bank will be deposited into an escrow account created under the 2017B Bond Resolution and invested in Federal Securities maturing at such times and in such amounts as required to provide funds sufficient to pay the principal and interest on the 2009B Refunded Bonds and 2009D Refunding Bonds upon prior redemption, as identified in the escrow agreement, on June 1, 2019.

Verification of Mathematical Computations. Grant Thornton LLP, a firm of independent public accountants, will deliver to the District, on or before the settlement date of the 2017 Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of and interest on the Refunded Bonds.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the District and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the District and its representatives and has not evaluated or examined the assumptions or information used in the computations.

THE 2017 BONDS

General

The 2017 Bonds will be issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. The 2017 Bonds will be dated as of the applicable date of delivery and will mature as set forth on the inside cover page of this Official Statement. The 2017 Bonds initially will be registered in the name of “Cede & Co.,” as nominee for DTC, the securities depository for the 2017 Bonds. Purchases of the 2017 Bonds are to be made in book-entry only form. Purchasers will not receive certificates evidencing their beneficial ownership interest in the 2017 Bonds. See “Book-Entry Only System” below.

Payment Provisions

Interest on the 2017 Bonds is payable on February 1 and August 1 of each year, commencing August 1, 2017 with respect to the 2017A Bonds and on June 1 and December 1 of each year, commencing June 1, 2017 with respect to the 2017B Bonds. Interest is payable by the Paying Agent on the interest payment date (or if such day is not a business day, on the next succeeding business day) to the person in whose name each 2017 Bonds is registered (i.e., to Cede & Co.), on the 15th day of the month preceding the interest payment date in which the interest payment date occurs with respect to the 2017 Bonds (the “Regular Record Date”) at the address shown on the registration records maintained by the Paying Agent as of the close of business on the Regular Record Date; but any such interest not so timely paid shall cease to be payable to the registered owner thereof as shown on the registration records of the Registrar as of the close of business on the Regular Record Date and shall be payable to the registered owner thereof at his or her address as shown on the registration records of the Registrar as of the close of business on the Special Record Date. Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the registered owners of the 2017 Bonds not less than ten days prior thereto by first-class mail to each such registered owner as shown on the Registrar’s registration records as of a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any 2017 Bonds by such alternative means as may be mutually agreed to between the registered owner of such 2017 Bonds and the Paying Agent. The principal on any 2017 Bonds shall be payable to the registered owner thereof as shown on the registration records kept by the Registrar, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the Paying Agent. If any 2017 Bonds shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the interest rate borne by the 2017 Bonds until the principal thereof is paid in full. All payments of principal and interest shall be made in lawful money of the United States without deduction for any service charges of the Paying Agent or Registrar.

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

Redemption Provisions

Optional Redemption of 2017A Bonds. The 2017A Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after February 1, 2028, will be subject to redemption prior to their respective maturities at the option of the District on and after February 1, 2027, in whole or in part at any time, from such maturities as are selected by the District, and if less than all the 2017A Bonds of a maturity are to be redeemed, by lot (giving proportionate weight to 2017A Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2017A Bond or portion thereof so redeemed, plus accrued interest thereon to the redemption date.

Optional Redemption of 2017B Bonds. The 2017B Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after June 1, 2028, will be subject to redemption prior to their respective maturities at the option of the District on and after June 1, 2027, in whole or in part at any time, from such maturities as are selected by the District, and if less than all the 2017B Bonds of a maturity are to be redeemed, by lot (giving proportionate weight to 2017B Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each 2017B Bond or portion thereof so redeemed, plus accrued interest thereon to the redemption date.

Notice of Redemption. Unless waived by any registered owner of a 2017 Bond to be redeemed, notice of prior redemption shall be given by the Registrar by electronic mail as long as Cede & Co., as nominee of DTC, or a successor depository is the registered owner of the 2017 Bonds, and otherwise by first class, postage prepaid mail, at least 30 days but not more than 60 days prior to the redemption date, to the MSRB via its EMMA system and the registered owner of any 2017 Bond (initially Cede & Co.) all or a part of which is called for prior redemption at his or her address as it last appears on the registration records kept by the Registrar. The notice shall identify the 2017 Bonds and state that on such date the principal amount thereof, and premium, if any, thereon will become due and payable at the Paying Agent (accrued interest to the redemption date being payable by mail or as otherwise provided in the Bond Ordinance), and that after such redemption date interest will cease to accrue. After such notice and presentation of said 2017 Bonds, the 2017 Bonds called for redemption will be paid. Actual receipt of mailed notice by the MSRB or any registered owner of 2017 Bonds shall not be a condition precedent to redemption of such 2017 Bonds. Failure to give such notice by mailing to the MSRB or the registered owner of any 2017 Bond designated for redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other 2017 Bond. A certificate by the Registrar that notice of call and redemption has been given as described above shall be conclusive as against all parties; and no owner whose 2017 Bond is called for redemption or any other owner of any 2017 Bond may object thereto or may object to the cessation of interest on the redemption date on the ground that he failed actually to receive such notice of redemption.

Notwithstanding the provisions described above, any notice of redemption may contain a statement that the redemption is conditional upon the receipt by the Paying Agent of funds on or before the date fixed for redemption sufficient to pay the redemption price of the 2017 Bonds so called for redemption, and that if such funds are not available, such redemption shall be canceled by written notice to the owners of the 2017 Bonds called for redemption in the same manner as the original redemption notice was mailed.

Defeasance

When all Bond Requirements (defined in Appendix C) of any 2017 Bonds have been duly paid, the pledge, the lien and all obligations under the respective Bond Resolutions as to such 2017 Bonds shall thereby be discharged and that 2017 Bonds shall no longer be deemed to be outstanding within the meaning of such Bond Resolution. Except as provided in the last sentence of this paragraph, there shall be deemed to be such due payment when the District has placed in escrow or in trust with a trust bank, an amount sufficient (including the known minimum yield available for such purpose from Federal Securities (defined below) in which such amount may be initially invested wholly or in part) to meet all Bond Requirements of any 2017 Bonds, as the same become due to the final maturity of such 2017 Bonds, or upon any redemption date as of which the District shall have exercised or shall have obligated itself to exercise its prior redemption option. The Federal Securities shall become due before the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and the bank at the time of the creation of the escrow or trust, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure availability as needed to meet the schedule. For the purpose of this section "Federal Securities" shall include only Federal Securities (as defined in Appendix C) which are not callable for redemption prior to their maturities except at the option of the owner thereof.

Book-Entry Only System

The 2017 Bonds will be available only in book-entry form in the principal amount of \$5,000 or any integral multiples thereof. DTC will act as the initial securities depository for the 2017 Bonds. The ownership of one fully registered 2017 Bonds for each maturity in each series as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D - Book-Entry Only System.

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

None of the District, the Registrar or the Paying Agent will have any responsibility or obligation to DTC's Participants or Indirect Participants (defined in Appendix D), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the 2017 Bonds as further described in Appendix D to this Official Statement.

Debt Service Requirements – 2017A Bonds

The following table reflects the debt service requirements for the 2017A Bonds. For information on the total debt service payable by the District on its currently outstanding general obligation bonds, see "LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE - District Debt Service Requirements."

Debt Service Requirements – 2017A Bonds⁽¹⁾

| Fiscal Year Ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2017 | | | |
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| 2035 | | | |
| 2036 | | | |
| 2037 | | | |
| 2038 | | | |
| Total | | | |

(1) Totals may not add due to rounding.

Source: The Financial Advisors.

Debt Service Requirements – 2017B Bonds

The following table reflects the debt service requirements for the 2017B Bonds. For information on the total debt service payable by the District on its currently outstanding general obligation bonds, see “LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE - District Debt Service Requirements.” For information on the total debt service payable by the SNWA on its currently outstanding obligations, including the 2017B Bonds, see “SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations - SNWA Total Debt Service Requirements.”

Debt Service Requirements – 2017B Bonds ⁽¹⁾

| <u>Fiscal Year</u> <u>Ending</u> <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|--------------|
| 2018 | | | |
| 2019 | | | |
| 2020 | | | |
| 2021 | | | |
| 2022 | | | |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| Total | | | |

⁽¹⁾ Totals may not add due to rounding.

Source: The Financial Advisors.

SECURITY FOR THE 2017A BONDS

General Obligation Bonds

The 2017A Bonds are direct and general obligations of the District, and the full faith and credit of the District is pledged to the payment of principal and interest due thereon, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. Generally, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation. \$0.02 of the statewide property tax rate of \$0.17 per \$100 assessed valuation is not included in computing compliance with this \$3.64 cap. State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon. See “PROPERTY TAX INFORMATION - Property Tax Limitations.” The 2017A Bonds are payable from general ad valorem taxes on all taxable property in the District. Pursuant to statute, the District’s boundaries include all of the property within the County, except for the property included within the boundaries of the Virgin Valley Water District (“VVWD”).

The District has never levied an ad valorem tax because revenues pledged for debt service on the District’s various bond issues have always been sufficient to pay debt service on all of the District’s bonds and obligations; however, in any year in which those pledged revenues are insufficient to pay debt service, the District is obligated to levy ad valorem taxes to pay debt service. Due to the statutory process required for the levy of taxes, in any year in which the District is required to levy property taxes, there may be a delay in the availability of revenues to pay debt service on the 2017A Bonds. See “PROPERTY TAX INFORMATION - County Property Tax Collections.” NRS 350.596 provides, “Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the

taxes herein provided for have been collected.” (Under this provision of NRS, the 2017A Bonds are “general obligation municipal securities”, and the District is a “municipality.”) In addition, the 2017A Bond Resolution provides as follows: “Use of General Fund and Other Funds. Any sums becoming due on the 2017A Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from the general fund on hand belonging to the District, reimbursement to be made to the general fund in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596. Nothing in the 2017A Resolution prevents the District from applying any funds (other than General Taxes) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, mature, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.”

The constitution and laws of the State limit the total ad valorem property taxes that may be levied by all overlapping taxing units within each county (e.g., the State, the County, the Clark County School District, any city, or any special district, including the District) in each year. Those limitations are described in “PROPERTY TAX INFORMATION - Property Tax Limitations.” In any year in which the total property taxes levied within the District by all applicable taxing units exceed such property tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness. In addition, State law requires the abatement of property taxes in certain circumstances. See “PROPERTY TAX INFORMATION - Property Tax Limitations” and “Required Property Tax Abatements.”

Other Security Matters

No Repealer. Nevada statutes provide that no act concerning the 2017A Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the 2017A Bonds or their security until all of the 2017A Bonds have been discharged in full or provision for their payment and redemption has been fully made.

No Pledge of Property. The payment of the 2017A Bonds is not secured by an encumbrance, mortgage or other pledge of property of the District and no property of the District, except as expressly set forth in the 2017A Bond Resolution, shall be liable to be forfeited or taken in payment of the 2017A Bonds; provided that the payment of the 2017A Bonds is secured by the proceeds of general (ad valorem) taxes and the Net Pledged Revenues pledged for the payment of the 2017A Bonds.

No Recourse. No recourse shall be had for the payment of the principal of, any interest on, or any prior redemption premiums due in connection with any 2017A Bonds, or for any claim based thereon or otherwise upon the 2017A Bond Resolution authorizing their issuance, against any individual member, officer, or other agent of the District, past, present or future, either directly or indirectly by virtue of any statute or rule of law.

Net Pledged Revenues

General. The 2017A Bonds are additionally secured by an irrevocable pledge of and lien on the Net Pledged Revenues. The 2017A Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the Net Pledged Revenues, subject to and after the prior lien on the Net Pledged Revenues of any Superior Lien Obligations issued in accordance with the 2017A Bond Resolution and on a parity with the lien of (i) the District’s currently Outstanding Parity Bonds, and (ii) any Additional Parity Bonds. See “Additional Securities” below. The District has not issued any Superior Lien Obligations as of the date of this Official Statement.

Rates and Charges. The Net Pledged Revenues are derived primarily from the District's rates and charges for services. The District Act authorizes the Board to establish, from time to time, reasonable rates and charges for the products and services furnished by the District's works and properties.

Subject to the limitation that rates and charges shall be reasonable, the 2017A Bond Resolution requires the Board to fix rates and charges which will produce sufficient revenues to pay (1) the costs of operating and maintaining the District's works and properties, (2) the general expenses of the District, (3) the principal and interest on all outstanding Superior Lien Obligations of the District, and (4) the principal and interest on all other bonds and other obligations of the District, including the 2017A Bonds, the Outstanding Parity Bonds and any Additional Parity Bonds. Pursuant to the 2017A Bond Resolution, the rates and charges shall be so fixed that annually, after payment from revenues of the costs of operation and maintenance and the general expenses of the District, the remaining revenue before depreciation, amortization and interest chargeable to the income account, as shown by the books of the District for the latest prior fiscal year with respect to which such books have been examined and reported upon by an independent accountant employed by the District shall be at least one (1) times the combined average annual debt service on all outstanding bonds, notes and other indebtedness payable out of revenues, including the 2017A Bonds. See Appendix C - Summary of Certain Provisions of the Bond Resolutions.

It is the general intent of the District Act and the policy of the Board that rates and charges be adequate to provide for all costs and that reliance on ad valorem taxes is to be avoided. There has historically been no reliance on ad valorem taxes to support the District's operations and there is no current plan or intention to call upon ad valorem taxes to support the District's financial requirements.

Historic Net Pledged Revenues and Debt Service Coverage

The following table illustrates a history of Net Pledged Revenues, debt service on the then-Outstanding Parity Bonds in each year shown, and the debt service coverage calculated by comparing the Net Pledged Revenues to the debt service in each year. *There is no assurance that Net Pledged Revenues will be generated at the levels indicated in this table in the future, or that the revenue components will increase.* The Taxable BABs, Series 2010 (see "LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE - Outstanding Indebtedness") were issued by the District as "Build America Bonds" or "BABs." Prior to the 8.7% reduction in the payment of BAB subsidies that went into effect on March 1, 2013 (7.2% effective as of October 1, 2013, 7.3% effective as of October 1, 2014, 6.8% as of October 1, 2015 and 6.9% effective as of October 1, 2016) as a result of federal budget cuts known as "sequestration," the District expected to receive a federal subsidy (the "BAB Credit") in an amount equal to 35% of the interest due on those bonds. The District is unable to predict the duration or extent of the current or any future reductions. However, the District does not believe that the current sequester will have a material adverse effect on their ability to pay debt service on the BABs.

Net Pledged Revenues (2017A Bonds)

| Fiscal Year Ended June 30, | 2013 | 2014 | 2015 | 2016 | 2017 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>(Actual)</u> | <u>(Actual)</u> | <u>(Actual)</u> | <u>(Actual)</u> | <u>(Budgeted)</u> |
| Revenues | | | | | |
| Total Operating Revenues ⁽¹⁾ | \$336,432,153 | \$338,947,519 | \$337,790,425 | \$339,986,389 | \$346,088,102 |
| Facilities Connection Charges | 6,867,660 | 11,049,850 | 17,657,015 | 13,239,500 | 17,834,027 |
| Investment Earnings ⁽²⁾ | <u>256,072</u> | <u>1,094,644</u> | <u>1,265,650</u> | <u>2,577,164</u> | <u>1,279,036</u> |
| Total Revenues: | 343,555,885 | 351,092,013 | 356,713,090 | 355,803,053 | 365,201,165 |
| Operating Expenses⁽¹⁾⁽³⁾ | <u>246,358,474</u> | <u>252,968,239</u> | <u>245,997,419</u> | <u>243,312,822</u> | <u>260,824,173</u> |
| Net Pledged Revenues | 97,197,411 | 98,123,774 | 110,715,671 | 112,490,231 | 104,376,992 |
| Annual Debt Service on the Outstanding Parity Bonds⁽⁴⁾ | \$ 63,432,419 | \$ 60,595,969 | \$ 60,614,119 | \$ 55,901,092 | \$ 56,099,298 |
| Coverage | 1.53x | 1.62x | 1.83x | 2.01x | 1.86x |

⁽¹⁾ The District excludes SNWA charges and operating expenses from its financial statements. As described in "INTRODUCTION - Security - Net Pledged Revenues Additionally Secure the 2017A Bonds," those amounts technically would be included in the calculation of Net Pledged Revenues; however, because the amounts offset each other, coverage is not impacted when they are excluded. Excludes BAB Credit received.

⁽²⁾ Includes only realized investment earnings; does not include unrealized gains or losses.

⁽³⁾ Excludes depreciation expense.

⁽⁴⁾ Includes debt service, on the Outstanding Parity Bonds payable from Net Pledged Revenues. Debt service is not reduced to reflect BAB Credit received in the amounts of \$1,465,228, \$1,387,138, \$1,399,082 and \$1,413,917 in fiscal years 2013 through and including 2016, respectively and \$1,406,378 expected to be received in fiscal year 2017.

Source: Derived from the District's audited financial statements for the fiscal years ended June 30, 2013 through 2016 and the District's fiscal year 2017 budget.

For fiscal year 2017, the District has budgeted total Revenues of \$365,201,165 (consisting primarily of total operating revenues of \$346,088,102 and \$19,113,063 in facilities connection charges and investment earnings) and operation and maintenance expenses of \$260,824,173, resulting in Net Pledged Revenues of \$104,376,992.

After issuance of the 2017A Bonds and the completion of the 2017A Refunding Project, the combined maximum annual debt service payable on the Outstanding Parity Bonds will be \$ _____ payable in fiscal year ____ (without taking the BAB Credit into account). (Net of the BAB Credit expected to be received with respect to the 2010A Bonds at the sequester-adjusted rate, the combined maximum annual debt service on the Outstanding Parity Bonds is \$ _____ in fiscal year ____.)

Additional Securities

Superior Lien Obligations. The District may issue Superior Lien Obligations payable from the Net Pledged Revenues and constituting a lien thereon superior to the lien thereon of the 2017A Bonds and the Outstanding Parity Bonds, provided that prior to the issuance of such Superior Lien Obligations, the District must (i) meet the earnings test for issuance of Additional Parity Bonds (see "Issuance of Additional Parity Bonds" below), (ii) meet the applicable earnings test required by the resolutions authorizing the issuance of any then-outstanding Superior Lien Obligations, and (iii) issue such Superior Lien Obligations solely as special obligations of the District (i.e., such Superior Lien Obligations will not constitute general obligations of the District).

Issuance of Additional Parity Bonds. Nothing in the 2017A Bond Resolution prevents the issuance of Additional Parity Bonds, nor prevents the issuance of bonds or securities refunding all or a part of the 2017A Bonds or the Outstanding Parity Bonds, but before any such Additional Parity Bonds are authorized or actually issued, the following tests must be met:

(a) At the time of the adoption of the resolution authorizing the issuance of the Additional Parity Bonds, the District is not in default in making any payments required to be made to the debt service funds, sinking funds or reserve funds for any outstanding obligations payable from Net Pledged Revenues; and

(b) The Net Pledged Revenues (subject to adjustments provided below) projected by the District General Manager, Chief Financial Officer or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the Additional Parity Bonds are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any parity lien obligations, including the parity lien obligations proposed to be issued, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the Superior Lien Obligations, the Outstanding Parity Bonds, the 2017A Bonds, and the Additional Parity Bonds proposed to be issued (excluding any reserves therefor).

(c) In any determination of whether or not Additional Parity Bonds may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in operation and maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the Additional Parity Bonds.

(d) In any determination of whether or not Additional Parity Bonds may be issued in accordance with the foregoing earnings test: (i) the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities; and (ii) the respective annual principal and interest requirements shall be reduced to the extent of the amount of principal and interest of any outstanding securities with a term of one year or less which the General Manager or Chief Financial Officer certifies are expected to be refunded. The certificate shall also provide an estimate of the debt service for the long-term refunding obligations that will refund the securities with the term of one year or less, calculated based on an interest rate equal to the “25 Bond Revenue Index” most recently published in The Bond Buyer prior to the date of certification.

(e) For the purposes of subsection (b) above, if any Superior Lien Obligation or Additional Parity Bonds bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations or Additional Parity Bonds or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed Superior Lien Obligations or Additional Parity Bonds is accepted by the District or if such index is no longer published such other similar long-term bond index as the District reasonably selects.

For purposes of computing the principal and interest requirements (the “Bond Requirements”) for purposes of subsection (b) above for Superior Lien Obligations or Parity Bonds for which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the District pursuant to the Qualified Swap; or (b) for purposes of computing combined average annual principal and interest requirements, for purposes of computing the maximum

annual principal and interest requirements, and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities) shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under the 2017A Bond Resolution shall take into account payments due the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no Superior Lien Obligations or Parity Lien Obligations remain outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of outstanding Superior Lien Obligations or Parity Lien Obligations to which such Qualified Swap relates, for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the District to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the District thereunder.

(f) Termination payments due under a Qualified Swap Agreement must be made subordinate to the payments of the Bond Requirements of any 2017A Bonds (with certain exceptions for insured bonds as set forth in the 2017A Bond Resolution).

(g) In connection with the authorization of any such additional securities the Board may on behalf of the District adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the District and no such covenant or agreement may be materially adverse to the interests of the holders of the 2017A Bonds. Any finding of the District to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met.

Subordinate Lien Obligations. Nothing in the 2017A Bond Resolution prevents the District from issuing additional bonds or other obligations payable from the Net Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien thereon of the 2017A Bonds.

SECURITY FOR THE 2017B BONDS

General Obligation Bonds

The 2017B Bonds are direct and general obligations of the District, and the full faith and credit of the District is pledged to the payment of principal and interest due thereon, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. Generally, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation. \$0.02 of the statewide property tax rate of \$0.17 per \$100 assessed valuation is not included in computing compliance with this \$3.64 cap. State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon. See "PROPERTY TAX INFORMATION - Property Tax Limitations." The 2017B Bonds are payable from general ad valorem taxes on all taxable property in the District. Pursuant to statute, the District's boundaries include all of the property within the County, except for the property included within the boundaries of the Virgin Valley Water District ("VVWD").

The District has never levied an ad valorem tax because revenues pledged for debt service on the District's various bond issues (including the SNWA Pledged Revenues) have always been sufficient to pay debt service on all of the District's bonds and obligations; however, in any year in which those

pledged revenues are insufficient to pay debt service, the District is obligated to levy ad valorem taxes to pay debt service. Due to the statutory process required for the levy of taxes, in any year in which the District is required to levy property taxes, there may be a delay in the availability of revenues to pay debt service on the 2017B Bonds. See “PROPERTY TAX INFORMATION - County Property Tax Collections.” NRS 350.596 provides, “Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected.” (Under this provision of NRS, the 2017B Bonds are “general obligation municipal securities”, and the District is a “municipality.”) In addition, the 2017B Bond Resolution provides as follows: “Use of General Fund and Other Funds. Any sums becoming due on the 2017B Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from the general fund on hand belonging to the District, reimbursement to be made to the general fund in the amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596. Nothing in the 2017B Resolution prevents the District from applying any funds (other than General Taxes) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, mature, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.”

The constitution and laws of the State limit the total ad valorem property taxes that may be levied by all overlapping taxing units within each county (e.g., the State, the County, the School, any city, or any special district, including the District) in each year. Those limitations are described in “PROPERTY TAX INFORMATION - Property Tax Limitations.” In any year in which the total property taxes levied within the District by all applicable taxing units exceed such property tax limitations, the reduction to be made by those units must be in taxes levied for purposes other than the payment of their bonded indebtedness, including interest on such indebtedness. In addition, State law requires the abatement of property taxes in certain circumstances. See “PROPERTY TAX INFORMATION - Property Tax Limitations” and “Required Property Tax Abatements.”

Other Security Matters

No Repealer. Nevada statutes provide that no act concerning the 2017B Bonds or their security may be repealed, amended, or modified in such a manner as to impair adversely the 2017B Bonds or their security until all of the 2017B Bonds have been discharged in full or provision for their payment and redemption has been fully made.

No Pledge of Property. The payment of the 2017B Bonds is not secured by an encumbrance, mortgage or other pledge of property of the District or the SNWA and no property of the District or the SNWA, except as expressly set forth in the 2017B Bond Resolution, shall be liable to be forfeited or taken in payment of the 2017B Bonds; provided that the payment of the 2017B Bonds is secured by the proceeds of general (ad valorem) taxes and the SNWA Pledged Revenues pledged for the payment of the 2017B Bonds.

No Recourse. No recourse shall be had for the payment of the principal of, any interest on, or any prior redemption premiums due in connection with any 2017B Bonds, or for any claim based thereon or otherwise upon the 2017B Bond Resolution authorizing their issuance, against any individual member, officer, or other agent of the District, past, present or future, either directly or indirectly by virtue of any statute or rule of law.

SNWA Pledged Revenues

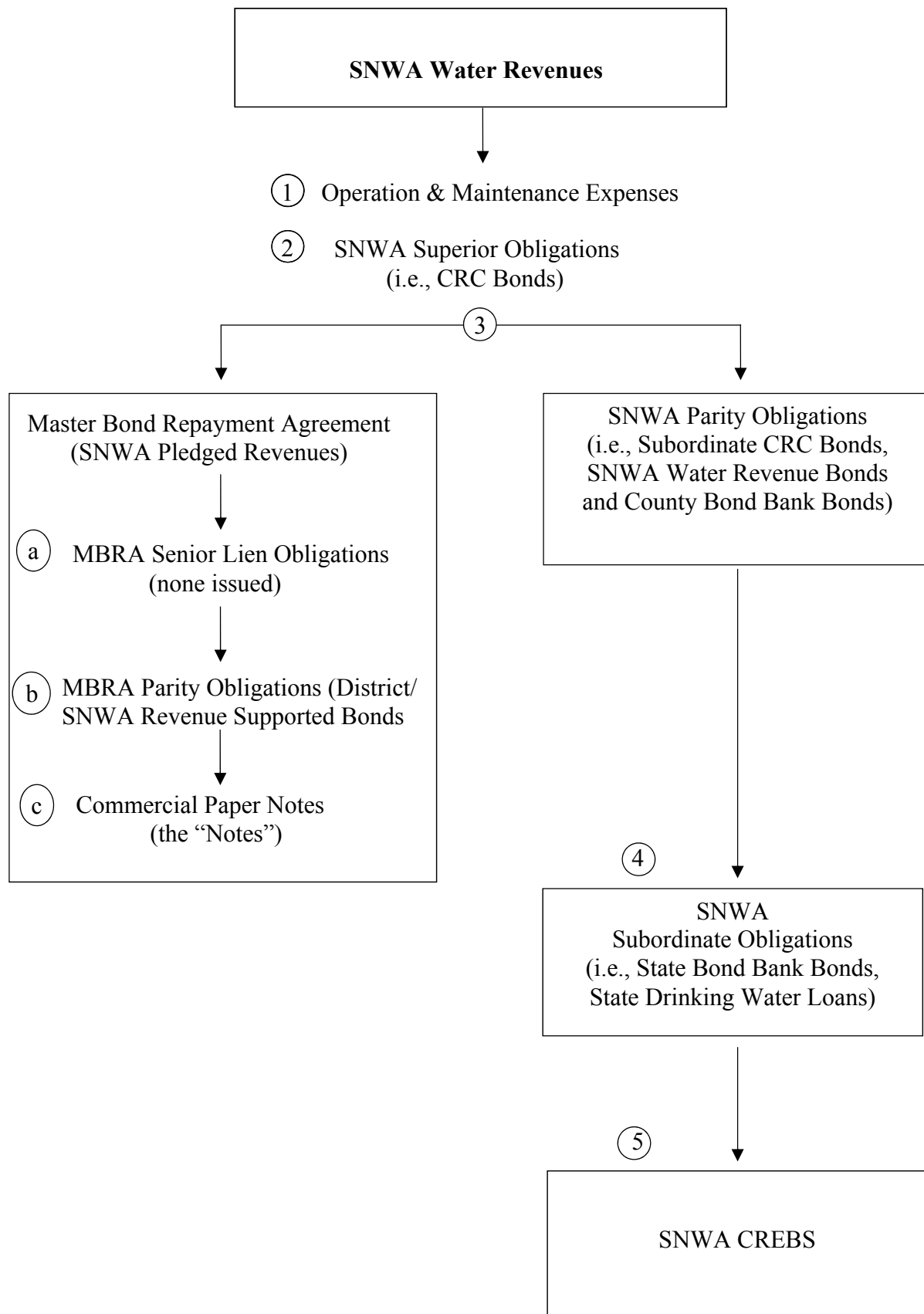
General. The 2017B Bonds are equitably and ratably secured by a lien on the SNWA Pledged Revenues, and the 2017B Bonds constitute an irrevocable lien (but not necessarily an exclusive lien) upon the SNWA Pledged Revenues, subject to the prior lien of any MBRA Senior Lien Obligations and SNWA Superior Obligations and on a parity with the currently outstanding MBRA Parity Obligations and any Additional MBRA Parity Obligations.

Although the 2017B Bonds (together with the Outstanding MBRA Parity Obligations) currently have a lien on the SNWA Pledged Revenues, the Master Bond Repayment Agreement itself constitutes a subordinate lien on the SNWA Water Revenues, subject to the payment of SNWA's operation and maintenance expenses and subordinate to the lien thereon of the SNWA Superior Obligations (outstanding in the aggregate principal amount of \$4,460,000) and any MBRA Senior Lien Obligations which may be issued in the future. Accordingly, the Master Bond Repayment Agreement, including \$2,053,305,000 principal amount of obligations outstanding thereunder, including the 2017B Bonds (and the SNWA Pledged Revenues pledged thereunder) constitutes a lien on the SNWA Water Revenues on a parity with the Outstanding SNWA Parity Obligations, which are outstanding in the aggregate principal amount of \$1,099,390,000*, including a proposed refunding described under the table captioned "Outstanding SNWA Obligations – Currently Outstanding SNWA Obligations". The District and entities other than the District (including SNWA) may issue obligations on behalf of SNWA in the future that have a lien on the SNWA Water Revenues which is superior to or on a parity with the lien thereon of the Master Bond Repayment Agreement.*

The SNWA may issue additional SNWA Superior Obligations and Additional SNWA Parity Obligations and the District may issue MBRA Senior Lien Obligations and Additional MBRA Parity Obligations after satisfaction of the conditions described in "Additional Securities" below. In addition, as described below, agencies other than the District also may issue bonds or obligations on behalf of the SNWA; those obligations do not and will not have a lien on the SNWA Pledged Revenues, but currently have (and may have in the future) a lien on the SNWA Water Revenues (which secure the MBRA and therefore provide all of the SNWA Pledged Revenues) that is superior to or on a parity with the lien thereon of the MBRA.

The following chart illustrates the general application of the SNWA Water Revenues, including the relative lien priority of the SNWA Superior Obligations, the MBRA Senior Lien Obligations (if any), the MBRA Parity Obligations and the SNWA Parity Obligations. Also see Appendix C - Summary of Certain Provisions of the Bond Resolutions--Flow of Funds. In addition, the SNWA has issued Subordinate Lien Revenue Bonds (Clean Renewable Energy), Series 2008 ("SNWA CREBS"), which have a lien on the SNWA Water Revenues subordinate to the MBRA Parity Obligations and the SNWA Obligations.

* Preliminary, subject to change.



The Master Bond Repayment Agreement. Under the MBRA, upon a request of the SNWA, the District may issue District general obligation bonds and loan the proceeds thereof to the SNWA for the purpose of funding or refunding capital additions and expansions to the SNWS. The 2017B Bonds are being issued by the District, pursuant to such a request.

The SNWA Pledged Revenues are derived from that portion of the SNWA Water Revenues payable to the District pursuant to the MBRA. The MBRA requires the SNWA to pay to the District an amount sufficient to pay all debt service on the District bonds or other obligations issued by the District on behalf of the SNWA under the MBRA. The SNWA's obligation to make payments under the MBRA is secured by a lien in favor of the District on the SNWA Water Revenues received by the SNWA from its operation of the SNWS as described in "INTRODUCTION - Security - SNWA Pledged Revenues Additionally Secure the 2017B Bonds." The lien of the MBRA on the SNWA Water Revenues is subject to payment of SNWA's operation and maintenance expenses, and subordinate to the lien thereon of the SNWA Superior Obligations, obligations issued by agencies other than the District with a superior lien on the SNWA Water Revenues (see "INTRODUCTION - Security") and the prior lien of any obligations issued in the future that have a superior lien on the SNWA Water Revenues. The lien of the MBRA on the SNWA Water Revenues is on a parity with the lien thereon of the SNWA Parity Obligations.

History of SNWA Pledged Revenues. Pursuant to the MBRA, the SNWA must pay to the District an amount sufficient to pay the debt service on outstanding District bonds or other obligations secured by the SNWA Pledged Revenues. The Taxable BABs, Series 2009A (see "SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations - Currently Outstanding SNWA Obligations") were issued on behalf of the SNWA by the District as "Build America Bonds" or "BABs." Prior to the 8.7% reduction in the payment of BAB subsidies that went into effect on March 1, 2013 (7.2% effective as of October 1, 2013, 7.3% effective as of October 1, 2014, 6.8% effective as of October 1, 2015 and 6.9% effective as of October 1, 2016) as a result of federal budget cuts known as "sequestration," the District and the SNWA expected to receive a BAB Credit in an amount equal to 35% of the interest due on those bonds. The District and the SNWA are unable to predict the duration or extent of the current or any future reductions. However, the District and the SNWA do not believe that the current sequester through September 30, 2017 will have a material adverse effect on their ability to pay debt service on the BABs. The amounts payable by the SNWA under the MBRA are net of the BAB Credit to the extent it is received in each year.

The following table sets forth a history of the SNWA Pledged Revenues, which exactly equal the amounts payable on the District bonds and other obligations issued by the District on behalf of the SNWA under the MBRA, including debt service on the District's Water Commercial Paper Notes (the "Notes).

Historic SNWA Pledged Revenues⁽¹⁾

| <u>Fiscal Year</u> | <u>SNWA Pledged Revenues</u> |
|--------------------|------------------------------|
| 2012 | 49,040,027 |
| 2013 | 70,780,624 |
| 2014 | 87,602,090 |
| 2015 | 91,693,149 |
| 2016 | 122,884,252 |

⁽¹⁾ These amounts do not represent the full debt service payable; they are net of the BAB Credit received. Does not include debt service on SNWA Parity Obligations.

Source: Southern Nevada Water Authority.

SNWA Water Revenues. The following table sets forth a history of the SNWA Water Revenues. As previously described, the SNWA Water Revenues do not include all revenues of the SNWA, but rather, include only moneys derived by the SNWA from the operation of the SNWS, including all revenues, charges or fees for commodities and services rendered by the SNWS, which include, but are not limited to, connection fees, tap fees, flat fees, meter charges and all other charges made for services, water or other commodities furnished by the SNWS and all other amounts received directly or indirectly, under the Cooperative Agreement. Other nonoperating revenues (which include sales tax revenue and the other funding sources described in “SOUTHERN NEVADA WATER SYSTEM - Capital Improvement Funding Plan”) are not included in SNWA Water Revenues. Certain of those revenues are included in unrestricted fund balance set forth below and are available to pay debt service. *There is no assurance that SNWA Water Revenues or any other SNWA revenues will be generated at the levels indicated in this table in the future.* For information about the total available revenues of the SNWA (including operating revenue and nonoperating revenue), see the table entitled “SNWA Summary of Operating Revenues, Expenses and Changes in Net Position.”

History of SNWA Water Revenues (2017B Bonds)

| <u>Fiscal Year Ending June 30.</u> | <u>2013</u> <u>(Actual)</u> | <u>2014</u> <u>(Actual)</u> | <u>2015</u> <u>(Actual)</u> | <u>2016</u> <u>(Actual)</u> | <u>2017</u> <u>(Budget)</u> |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Operating Revenues | | | | | |
| Wholesale Delivery Charges | \$117,534,578 | \$ 121,045,154 | \$ 121,100,263 | \$ 125,054,059 | \$ 122,757,977 |
| Regional Connection Charges ⁽¹⁾ | 22,915,416 | 44,819,669 | 66,015,927 | 63,781,176 | 68,446,150 |
| Regional Water Charges ⁽²⁾ | 45,641,138 | 48,209,644 | 53,761,657 | 61,704,236 | 69,133,694 |
| Regional Infrastructure Charges ⁽³⁾ | <u>79,114,278</u> | <u>80,244,881</u> | <u>87,046,856</u> | <u>106,459,684</u> | <u>149,563,411</u> |
| Total SNWA Water Revenues | 265,205,410 | 294,319,348 | 327,924,703 | 356,999,155 | 409,903,232 |
| Operating Expenses⁽⁴⁾ | <u>108,170,994</u> | <u>138,110,567</u> | <u>127,494,786</u> | <u>134,936,152</u> | <u>134,616,556</u> |
| Net SNWA Water Revenues⁽⁵⁾ | 157,034,416 | 156,208,781 | 200,429,917 | 222,063,003 | 275,286,676 |
| Annual Debt Service on the SNWA Superior Obligations⁽⁶⁾ | <u>5,991,327</u> | <u>5,991,328</u> | <u>5,866,247</u> | <u>9,028,367</u> | <u>1,219,797</u> |
| Remaining SNWA Water Revenues⁽⁷⁾ | 151,043,089 | 150,217,453 | 194,563,670 | 213,034,636 | 274,066,879 |
| Beginning Unrestricted Fund Balance⁽⁸⁾ | <u>236,252,384</u> | <u>308,634,591</u> | <u>322,928,812</u> | <u>382,138,848</u> | <u>346,586,541</u> |
| Funds Available for Debt Service⁽⁹⁾ | 387,295,473 | 458,852,044 | 517,492,482 | 595,173,484 | 620,653,420 |
| Annual Debt Service on Total Parity Obligations⁽¹⁰⁾ | 125,228,410 | 142,080,455 | 147,289,037 | 203,944,002 | 261,968,939 |
| Less: Capitalized Interest⁽¹¹⁾ | <u>(14,226,472)</u> | <u>(17,015,050)</u> | <u>---</u> | <u>---</u> | <u>---</u> |
| Net Annual Debt Service on Parity Obligations | <u>\$111,001,938</u> | <u>\$125,065,405</u> | <u>\$147,289,037</u> | <u>\$203,944,002</u> | <u>\$261,968,939</u> |

Footnotes on the following page.

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- (1) The SNWA adjusted actual collections of connection charges by the net effect of a pending regional connection charge refund liability account as prescribed by external auditors. The liability account attempts to estimate connection charges collected in past periods that have a reasonable chance to be refunded in future periods. The pending refund contingency was discontinued in fiscal year 2016. For a discussion of Regional Connection Charges, see “SNWA FINANCIAL INFORMATION – Budgeting.”
 - (2) Consists of Regional Commodity Charge and Reliability Surcharge.
 - (3) In response to declining Connection Charge revenues, the SNWA Board of Directors (the “SNWA Board”) implemented a new infrastructure charge (the “Regional Infrastructure Charge”) effective April 1, 2012, which is included in determining SNWA Pledged Revenues. The Regional Infrastructure Charge is a per-meter charge based on meter size. See “SOUTHERN NEVADA WATER AUTHORITY--The Operations Agreement - Charges” and “SNWA FINANCIAL INFORMATION - Budgeting” for a further discussion of the Regional Infrastructure Charge.
 - (4) Excludes depreciation.
 - (5) SNWA Water Revenues do not include BAB Credit received.
 - (6) Debt service accrued in each fiscal year is accounted for when owed to entities issuing the SNWA’s Superior Obligations as required by the terms of the agreements with those entities.
 - (7) Represents SNWA Water Revenues that are available to pay debt service on the SNWA Parity Obligations, and to fund the MBRA.
 - (8) SNWA also may use other legally available moneys (including available fund balance) to pay debt service on its outstanding obligations. These figures represent beginning unrestricted fund balances (comprised of unrestricted cash, unrestricted investments and sales tax revenues regardless of classification) for each fiscal year provided by the SNWA. The numbers in this table are not presented using GAAP and as a result, are not directly comparable to the table entitled “SNWA Summary of Operating Revenues, Expenses and Changes in Net Position.”
 - (9) For a description of the computation of funds available for debt service, see the audited financial statements of the SNWA in Appendix B.
 - (10) Includes debt service paid on the SNWA Parity Obligations and the MBRA Parity Obligations, but does not include debt service on the Notes. Debt service is adjusted for “Build America Bond” subsidies received and expected to be received.
 - (11) Reflects interest capitalized on the District’s General Obligation (Limited Tax) (Additionally Secured by SNWA Pledge Revenues), Water Bonds, Series 2012B Bonds.

Source: The information for the SNWA’s fiscal years ending 2013-2016 was derived from the SNWA’s audited financial statements for fiscal years 2013-2016. The information for fiscal year 2017 was derived from the SNWA’s fiscal year 2017 budget.

As illustrated in “SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations - SNWA Total Debt Service Requirements,” the combined maximum annual debt service on the MBRA Parity Obligations and the SNWA Parity Obligations is \$_____ in fiscal year ____, after issuance of the 2017B Bonds and completion of the 2017B Refunding Project.

Net of the BAB Credit expected to be received with respect to the 2009A Bonds and assuming the BAB Credit is paid at the sequester-adjusted rate, the combined maximum annual debt service on the MBRA Parity Obligations and the SNWA Parity Obligations is \$_____ in fiscal year ____, after issuance of the 2017B Bonds and completion of the 2017B Refunding Project. The amounts referenced above exclude the commercial paper notes which are currently outstanding in the amount of \$400,000,000.

Rate Maintenance. The SNWA has agreed in the MBRA that it will maintain rates and charges for all services furnished by the SNWS which will generate annually, together with other funds legally available for such purpose, revenues sufficient to pay its operations and maintenance costs and all amounts due under the MBRA. A similar rate maintenance covenant is included in the bond resolutions for the SNWA Parity Obligations.

Additional Securities

SNWA Superior Obligations and SNWA Parity Obligations. The SNWA may issue SNWA Superior Obligations payable from the SNWA Water Revenues and constituting a lien thereon superior to the lien of the SNWA Pledged Revenues, provided that prior to the issuance of such SNWA Superior Obligations, the SNWA must (i) meet the earnings test for issuance of SNWA Parity Obligations contained in the 2017B Bond Resolution (described below), and (ii) meet any applicable earnings test required by any resolutions authorizing the issuance of any then-outstanding SNWA Superior Obligations. *The SNWA also may request that entities other than the District (CRC, the State and the County) issue obligations on its behalf secured by the SNWA Water Revenues. Those obligations may have a lien on certain of the SNWA Water Revenues which is on a parity with (or in certain circumstances, superior to) the lien of the MBRA.*

Issuance of MBRA Senior Lien Obligations and MBRA Parity Obligations. Nothing in the 2017B Bond Resolution prevents the issuance of additional obligations which have a lien on the SNWA Pledged Revenues that is superior to or on a parity with the lien of the 2017B Bonds subject to the following conditions:

(a) At the time of the adoption of the resolution authorizing the issuance of the additional MBRA Senior Lien Obligations or MBRA Parity Obligations, the District shall not be in default in making any payments required to be made into the debt service, sinking or reserve funds for any outstanding obligations secured with a lien on the SNWA Pledged Revenues; and

(b) (1) The SNWA Pledged Revenues (subject to adjustment as hereinafter provided) derived in the fiscal year immediately preceding the date of issuance of the additional obligations shall have been at least sufficient to pay an amount equal to the combined maximum annual principal and interest requirements of the outstanding 2017B Bonds and any other outstanding MBRA Senior Lien Obligations and MBRA Parity Obligations, and the obligations proposed to be incurred; or

(2) The SNWA Pledged Revenues (subject to adjustment as hereinafter provided) projected by the District's general manager or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the additional MBRA Senior Lien Obligations or MBRA Parity Obligations are issued or (ii) the first fiscal year in which all principal and interest payable on the additional MBRA Senior Lien Obligations or MBRA Parity Obligations is to be paid from the proceeds of the SNWA Pledged Revenues, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the 2017B Bonds, any other outstanding MBRA Parity Obligations and MBRA Senior Lien Obligations and the obligations proposed to be incurred.

(c) In any determination of whether or not other additional obligations may be issued in accordance with the foregoing earnings test (i) the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities; and (ii) the respective annual principal and interest requirements shall be reduced to the extent of the amount of principal and interest of any outstanding securities with a term of one year or less which the General Manager or Chief Financial Officer certifies are expected to be refunded. The certificate shall also provide an estimate of the debt service for the long-term refunding obligations that will refund the securities with the term of one year or less, calculated based on an interest rate equal to the "25 Bond Revenue Index" most recently published in The Bond Buyer prior to the date of certification.

(d) For the purposes of subsection (b) above, if any MBRA Senior Lien Obligation or MBRA Parity Obligation bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those MBRA Senior Lien Obligations or MBRA Parity Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed superior lien obligations or parity lien obligations is accepted by the District or if such index is no longer published such other similar long-term bond index as the District reasonably selects.

For purposes of computing the principal and interest requirements (the “Bond Requirements”) for purposes of subsection (b) above for MBRA Senior Lien Obligations or MBRA Parity Obligations for which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the District pursuant to the Qualified Swap; or (b) for purposes of computing combined average annual principal and interest requirements, for purposes of computing the maximum annual principal and interest requirements, and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities) shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under the 2017B Bond Resolution shall take into account payments due the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the maximum annual principal and interest requirements and for purposes of any other computations for the issuance of additional superior or parity securities (including refunding securities), in making any calculation of the Bond Requirements to be paid for a period after the date of computation on any bonds with respect to which the District expects to receive a BAB Credit, such as the 2009A Bonds, “interest” for any Bond Year shall be treated as the amount of interest to be paid by the District on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the resolution or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year or to reimburse the District for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as the date of such a calculation, “interest” shall be the total amount of interest to be paid by the District on the bonds without a deduction for the credit to be paid by the United States under 6431 of the Tax Code. The Chief Financial Officer may certify in writing the expected amount and expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of computing the maximum annual principal and interest requirements and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities).

(e) Termination payments due under a Qualified Swap Agreement must be made subordinate to the payments of the Bond Requirements of any 2017B Bonds (with certain exceptions for insured bonds as set forth in the 2017B Bond Resolution).

(f) In connection with the authorization of any such additional securities, the Board may, on behalf of the District, adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the District. Any finding of the District to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met.

A written certification or written opinion based upon estimates, as provided above, that the SNWA Water Revenues when adjusted as above provided are sufficient to pay the amounts described

above, shall be conclusively presumed to be accurate in determining the right of the District to authorize and incur such other additional obligations.

Subordinate Lien Obligations. Nothing in the 2017B Bond Resolution prevents the District from issuing additional bonds or other obligations payable from the SNWA Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien thereon of the 2017B Bonds, nor prevents the issuance of bonds or securities refunding all or a part of the 2017B Bonds. The SNWA (or other entities on its behalf) also may issue additional obligations having a lien on the SNWA Water Revenues, that is subordinate to the lien thereon of the SNWA Parity Obligations.

CERTAIN RISK FACTORS

General

The purchase of the 2017 Bonds involves certain investment risks that are discussed throughout this Official Statement. Such risks include, but are not limited to, the factors described below, as well as risks related to the availability of sufficient water supplies due to growth, drought or other factors. See “LAS VEGAS VALLEY WATER DISTRICT,” “SOUTHERN NEVADA WATER AUTHORITY” and “SOUTHERN NEVADA WATER SYSTEM.” Accordingly, each prospective purchaser of the 2017 Bonds should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision.

Certain Risks Associated With Property Taxes

Delays in Property Tax Collections Could Occur. Although the 2017 Bonds are general obligations of the District, the District may only levy property taxes to pay debt service on the 2017 Bonds in accordance with State law. For a description of the State laws regulating the collection of property taxes, see “PROPERTY TAX INFORMATION – County Property Tax Collections.” Due to the statutory process required for the levy of taxes, in any year in which the District is required to levy property taxes, there may be a delay in the availability of property tax revenues to pay debt service on the 2017 Bonds. Accordingly, although other District or SNWA revenues, as applicable, or other funds of the District may be available to pay debt service on the 2017A Bonds if Net Pledged Revenues for the 2017A Bonds are insufficient, or 2017B Bonds if SNWA Pledged Revenues for the 2017B Bonds are insufficient, time may elapse before the District receives property taxes levied to cover any insufficiency of SNWA Pledged Revenues or Net Pledged Revenues.

Other Risks Related to Property Taxes. Numerous other factors over which the District has no control may impact the timely receipt of ad valorem property tax revenues in the future. These include property tax limits described under the captions “SECURITY FOR THE 2017A BONDS – General Obligation Bonds,” “SECURITY FOR THE 2017B BONDS – General Obligation Bonds” and “PROPERTY TAX INFORMATION – Property Tax Base and Tax Roll” and “-Property Tax Limitations” and “-Required Property Tax Abatements,” the valuation of property within the District, the number of homes which are in foreclosure, bankruptcy proceedings of property taxpayers or their lenders, and the ability or willingness of property owners to pay taxes in a timely manner. NRS 350.596 provides, “Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected.” (Under this provision of NRS, the 2017 Bonds are “general obligation municipal securities”, and the District is a “municipality.”) In addition, each Bond Resolution provides as follows: “Use of General Fund and Other Funds. Any sums becoming due on the 2017 Bonds at any time when there are on hand from such General Taxes (and any other available moneys) insufficient funds to pay the same shall be promptly paid when due from the general fund on hand belonging to the District, reimbursement to be made to the general fund in the

amounts so advanced when the General Taxes herein provided for have been collected, pursuant to NRS 350.596. Nothing in the 2017 Bonds Resolutions prevents the District from applying any funds (other than General Taxes) that may be available for that purpose to the payment of the Bond Requirements as the same, respectively, mature, and upon such payments, the levy or levies herein provided may thereupon to that extent be diminished, pursuant to NRS 350.598.”

The County is recovering from a housing slump over the past several years, but the State still has one of the highest foreclosure rates in the nation. It cannot be predicted at this time what impact these trends (or other economic trends) would have on property values or District property tax collections should the District be required to levy an ad valorem tax in the future.

Certain Risks Associated With the Net Pledged Revenues and SNWA Pledged Revenues

General. The generation of sufficient Net Pledged Revenues and SNWA Pledged Revenues is important to the timely payment on the 2017A Bonds and 2017B Bonds, respectively. If the Water System or the SNWS becomes inoperable due to damage, destruction, environmental restriction or for any other reason, or if the District or the SNWA should lack adequate water supply to serve existing customers because of drought or for any other reason, or if the District or the SNWA is unable to increase rates and charges for any reason or if the District or the SNWA incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, Net Pledged Revenues or SNWA Pledged Revenues may not be sufficient to pay debt service on the 2017A Bonds or the 2017B Bonds, respectively.

Reliance on Colorado River. Approximately 90% of southern Nevada’s water supply comes from the Colorado River. According to a study released by the U.S. Secretary of the Interior in 2012, the Colorado River Basin is projected to have significant water shortages in the coming years due to many factors, including population growth in the Colorado River Basin, droughts and climate change. Any shortages of Colorado River water under the Colorado River Compact could impact the District’s and the SNWA’s ability to access the State’s full allotment of Colorado River water. It is not possible at this time to know when or if such shortages will occur or what impact they would have on the District and the SNWA, but the U.S. Bureau of Reclamation publishes a Predicted Future Conditions report twice a year that discusses modeled probabilities for shortage at <https://www.usbr.gov/lc/region/g4000/crss-5year.pdf>. According to the U.S. Bureau of Reclamation, there is nearly a 50% chance a shortage will be declared in 2018. SNWA’s Water Resource Plan demonstrates SNWA’s ability to continue to meet demands during the currently defined shortage levels and even beyond. It should be noted that projections of water resources availability and water demands are subject to uncertainty resulting from numerous variables and that actual results may differ, possibly materially, from those contemplated in the projections. See “SOUTHERN NEVADA WATER SYSTEM – Water Supply in the Service Area” and “– Colorado River Study and Drought Impact.”

Regulatory Risks. The Water System and the SNWS are subject to numerous federal and State statutory and regulatory requirements. Those laws are subject to change at any time. The District and the SNWA work with all regulatory agencies and personnel to stay abreast of future regulatory requirements as failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the SNWS to be unavailable. Although highly unlikely, any disruption of service could negatively impact SNWA Pledged Revenues or Net Pledged Revenues, respectively.

The most significant law governing public drinking water systems is the federal Safe Drinking Water Act. Primary enforcement authority for this act in Nevada has been delegated by the U.S. Environmental Protection Agency (the “EPA”), to the Nevada Division of Environmental Protection (“NDEP”). The EPA sets standards for ensuring safe drinking water and administers programs to protect drinking water sources. The NDEP’s Bureau of Safe Drinking Water and the Clark County Health Department work together with the District and the SNWA to assure that all drinking water standards

have been and will continue to be met. The District and the SNWA are in full compliance with all current regulatory requirements and currently are not aware of any forthcoming regulatory requirements that would significantly impact compliance costs.

Limitation of Remedies

Judicial Remedies. Upon the occurrence of an Event of Default under the Bond Resolutions, each owner of the 2017 Bonds is entitled to enforce the covenants and agreements of the District by mandamus, suit or other proceeding at law or in equity. Any judgment will, however, only be enforceable against the SNWA Pledged Revenues or Net Pledged Revenues, as applicable, and other moneys held under the Bond Resolutions (including General Taxes, if any) and not against any other fund or properties of the District.

The enforceability of the Bond Resolutions is also subject to equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State and the exercise of judicial authority by State or federal courts.

Due to the delays in obtaining judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in obtaining judicial remedies to enforce the covenants and agreements of the District under the Bond Resolutions, to the extent enforceable, could result in delays in any payment of principal of and interest on the 2017 Bonds.

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

No Acceleration. The 2017 Bonds are not subject to acceleration in the event of a default in the payment of principal of or interest on the 2017 Bonds. Consequently, remedies available to the owners of the 2017 Bonds would have to be enforced from year to year.

Future Changes in Laws

Various State laws apply to the imposition, collection, and expenditure of ad valorem property taxes as well as the operation and finances of the District. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of its revenues, including ad valorem property taxes, if the District collects them at some time in the future. For example, State law currently requires abatements of property taxes under certain circumstances; the levy of taxes to pay debt service on some bond issues is not exempt from the abatement provisions. See "PROPERTY TAX INFORMATION - Property Tax Limitations" and "Required Property Tax Abatements." While the District does not currently impose a property tax, if it

does so in the future the receipts of that tax may be impacted to an extent that cannot be determined at this time.

In addition, from time to time, amendments to federal or state laws or regulations may be enacted that could result in negative consequences to owners of the 2017 Bonds. See “TAX MATTERS.”

Secondary Market

No guarantee can be made that a secondary market for the 2017 Bonds will develop or be maintained by the initial purchaser or purchasers of the 2017 Bonds (collectively, the “Initial Purchasers”) or others. Thus, prospective investors should be prepared to hold their 2017 Bonds to maturity.

PROPERTY TAX INFORMATION

The 2017 Bonds are direct and general obligations of the District, and the full faith and credit of the District is pledged to the payment of principal and interest due thereon, subject to State constitutional and statutory limitations on the aggregate amount of ad valorem taxes. See “Property Tax Limitations” below. The 2017 Bonds are payable from general ad valorem taxes on all taxable property in the District. Pursuant to statute, the District’s boundaries include all of the property within the County, except for the property included within the boundaries of the VVWD.

Property Tax Base and Tax Roll

General. The assessed valuation of property within the District for the fiscal year ending June 30, 2017, is calculated to be \$73.6 billion (excluding the assessed valuation attributable to the various redevelopment agencies located within the District (together, the “Redevelopment Agencies”).

State law requires that county assessors reappraise, at least once every 5 years, all real and secured personal property (other than certain utility owned property, which is centrally appraised and assessed by the Nevada Tax Commission). While the law provides that in years in which the property is not reappraised, the County assessor is to apply a factor representing typical changes in value in the area since the preceding year, it is the current policy of the Clark County Assessor to reappraise all real and secured personal property in the County each year. State law currently requires that property be assessed at 35% of taxable value; that percentage may be adjusted upward or downward by the Legislature. Based upon the assessed valuation for fiscal year 2017, the taxable value of all taxable property within the District is \$210 billion.

“Taxable value” is defined in the statutes as the full cash value in the case of land and as the replacement cost less straight-line depreciation in the case of improvements to land and in the case of taxable personal property, less depreciation in accordance with the regulations of the Nevada Tax Commission but in no case an amount in excess of the full cash value. Depreciation of improvements to real property must be calculated at 1.5% of the cost of replacement for each year of adjusted actual age up to a maximum of 50 years. Adjusted actual age is actual age adjusted for any addition or replacement made which is valued at 10% or more of the replacement cost after the addition or replacement. The maximum depreciation allowed is 75% of the cost of replacement. When a substantial addition or replacement is made to depreciable property, its “actual age” is adjusted i.e., reduced to reflect the increased useful term of the structure. The adjusted actual age has been used on appraisals for taxes since 1986-87.

In Nevada, county assessors are responsible for assessments in the counties except for certain properties centrally assessed by the State, which include railroads, airlines, and utility companies.

History of Assessed Valuation. Because the District has never levied an ad valorem property tax, neither the State nor the County Assessor prepares or maintains an official assessed valuation for the District. The District's boundaries encompass all of the County, excluding the property within the VVWD. Accordingly, the District has calculated its assessed valuation by deducting the assessed valuation of the VVWD from the County's assessed valuation. The following table illustrates a history of the assessed valuation in the District using this calculation. However, due to property tax abatement laws enacted in 2005 (described in "Required Property Tax Abatements" below) the taxes collected by taxing entities within the County are capped and likely will not change at the same rate as the assessed value.

History of Assessed Valuation - Las Vegas Valley Water District, Nevada

| <u>Fiscal Year Ended June 30</u> | <u>Clark County⁽¹⁾</u> | <u>Virgin Valley Water District</u> | <u>Las Vegas Valley Water District</u> | <u>District % Change</u> |
|--------------------------------------|-----------------------------------|---|--|------------------------------|
| 2013 | 54,195,268,097 | 532,605,348 | 53,662,662,749 | -- |
| 2014 | 55,220,637,749 | 552,847,949 | 54,667,789,800 | 1.9% |
| 2015 | 62,904,942,089 | 674,224,168 | 62,230,717,921 | 13.8 |
| 2016 | 69,266,468,466 | 750,735,410 | 68,515,733,056 | 10.1 |
| 2017 | 74,597,622,262 | 698,894,176 | 73,898,728,086 | 7.9 |

⁽¹⁾ Excludes assessed valuation of the Boulder City Redevelopment Agency, the Las Vegas Redevelopment Agency, the North Las Vegas Redevelopment Agency, the Henderson Redevelopment Agency, the Mesquite Redevelopment Agency and the Clark County Redevelopment Agency (collectively, the "Redevelopment Agencies") in the following amounts: 2013 - \$1,030,444,078; 2014 - \$1,076,210,139, 2015 - \$1,347,691,561, 2016 - \$1,788,784,767 and 2017 - \$2,035,576,833.

Source: Property Tax Rates for Nevada Local Governments - State of Nevada Department of Taxation, 2012-2013 through 2016-2017.

County Property Tax Collections

In Nevada, county treasurers are responsible for the collection of property taxes, and forwarding the allocable portions thereof to the overlapping taxing units within the counties.

Taxes on real property are due on the third Monday in August unless the taxpayer elects to pay in installments on or before the third Monday in August and the first Mondays in October, January, and March of each fiscal year. Penalties are assessed if any taxes are not paid within 10 days of the due date as follows: 4% of the delinquent amount if one installment is delinquent, 5% of the delinquent amount plus accumulated penalties if two installments are delinquent, 6% of the delinquent amount plus accumulated penalties if three installments are delinquent and 7% of the delinquent amount plus accumulated penalties if four installments are delinquent. In the event of nonpayment, the County Treasurer is authorized to hold the property for two years, subject to redemption upon payment of taxes, penalties and costs, together with interest at the rate of 10% per year from the date the taxes were due until paid. If delinquent taxes are not paid within the two-year redemption period, the County Treasurer obtains a deed to the property free of all encumbrances. Upon receipt of a deed, the County Treasurer may sell the property to satisfy the tax lien and assessments by local governments for improvements to the property.

The County's tax roll collection record appears in the following table. The District does not currently levy an ad valorem property tax. Therefore, the figures in the following table represent property taxes that *are not* available to pay debt service on the 2017 Bonds. The information is included only to provide information with respect to the historic collection rates for the County and may not be relied upon to predict what collection rates would be within the District should it levy an ad valorem property tax in

the future. Numerous factors over which the District has no control may impact the timely receipt of ad valorem property tax revenues in the future. See “CERTAIN RISK FACTORS.”

Property Tax Levies, Collections and Delinquencies - Clark County, Nevada⁽¹⁾

| Fiscal Year Ending June 30 | Net Secured Roll Tax Levy ⁽²⁾ | Current Tax Collections | % of Levy (Current) Collected | Delinquent Tax Collections | Total Tax Collections | Total Tax Collections as % of Current Levy ⁽³⁾ |
|----------------------------------|---|----------------------------|-------------------------------------|----------------------------------|--------------------------|---|
| 2012 | \$1,600,697,212 | \$1,576,935,410 | 98.52% | \$23,400,147 | \$1,600,335,557 | 99.98% |
| 2013 | 1,460,253,059 | 1,446,106,236 | 99.03 | 13,707,159 | 1,459,813,395 | 99.97 |
| 2014 | 1,467,852,423 | 1,453,556,514 | 99.03 | 13,522,567 | 1,467,079,081 | 99.95 |
| 2015 | 1,515,752,777 | 1,506,108,484 | 99.36 | 7,728,291 | 1,514,004,775 | 99.87 |
| 2016 | 1,582,691,187 | 1,572,448,659 | 99.35 | 3,829,834 | 1,576,278,493 | 99.59 |
| 2017 ⁽⁴⁾ | 1,634,636,729 | 879,034,286 | 53.78 | n/a ⁽⁵⁾ | 879,034,286 | 53.78 |

⁽¹⁾ Represents the real property tax roll levies and collections. Subject to revision.

⁽²⁾ Adjusted county tax levied for the fiscal year.

⁽³⁾ Percentage of total taxes collected to date (calculated on the Net Secured Roll Tax Levy).

⁽⁴⁾ Collections as of October 31, 2016 (unaudited).

⁽⁵⁾ Fiscal year 2017 delinquent collections in progress.

Source: Clark County Treasurer’s Office.

Principal Taxpayers in the District

The following table represents the ten largest property-owning taxpayers in the County and the District based on fiscal year 2016-17 assessed valuations. The fiscal year 2016-17 assessed valuations in this table represent both the secured tax roll (real property) and the unsecured tax roll. No independent investigation has been made of, and consequently there can be no representation as to, the financial conditions of the taxpayers listed, or that any such taxpayer will continue to maintain its status as a major taxpayer based on the assessed valuation of its property in the District. Further, because the assessed values set forth below include all of the property within the County owned by each taxpayer, certain of the property owned by any particular taxpayer may be located in VVWD and not included within the boundaries of the District.

Ten Largest Taxpayers in the County and the District⁽¹⁾
Secured and Unsecured Tax Roll
Fiscal Year 2016-17

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>Assessed Value</u> | <u>% of Total Assessed Value⁽¹⁾</u> |
|--|-------------------------|-------------------------|--|
| MGM Resorts International | Hotels/Casinos | \$ 3,586,896,698 | 4.68% |
| NV Energy | Utility | 1,982,725,527 | 2.59 |
| Caesars Entertainment Corporation ⁽²⁾ | Hotels/Casinos | 1,859,895,091 | 2.43 |
| Las Vegas Sands Corporation | Hotels/Casinos | 972,201,925 | 1.27 |
| Wynn Resorts Limited | Hotels/Casinos | 926,778,374 | 1.21 |
| Station Casinos Incorporated | Hotels/Casinos | 705,871,212 | 0.92 |
| Nevada Property 1 LLC | Hotels/Casinos | 382,335,596 | 0.50 |
| Eldorado Energy LLC | Solar Energy | 380,134,297 | 0.50 |
| Boyd Gaming Corporation | Hotels/Casinos | 328,880,459 | 0.43 |
| Howard Hughes Corporation | Developer | <u>327,790,058</u> | <u>0.43</u> |
| Total | | <u>\$11,453,509,237</u> | <u>14.95%</u> |

(1) Based on the District's fiscal year 2016-2017 assessed valuation of \$76,633,199,095 (which includes the assessed valuation attributable to the Redevelopment Agencies).

(2) Caesars Entertainment Corporation ("CEC") owns, directly or indirectly, numerous properties within the boundaries of the District, including but not limited to Caesars Palace Hotel and Casino, Bally's Hotel and Casino, the Forum Shops, the Cromwell Hotel, the Flamingo Hotel and Casino, Harrah's Hotel and Casino, Nobu Hotel, Paris Hotel and Casino, Planet Hollywood Hotel and Casino, The Linq Hotel and the Rio Hotel and Casino. The assessed value figure provided in this table represents the combined assessed value of all property owned directly or indirectly by CEC. On January 15, 2015, a bankruptcy petition (the "CEOC Petition") was filed in the U.S. Bankruptcy Court for the Northern District of Illinois by Caesars Entertainment Operating Company, Inc. ("CEOC"). The CEOC Petition states that on the same day, bankruptcy petitions were filed by approximately 172 other entities which are believed to be related to CEOC. The CEOC Petition states that CEC is the owner of 89.3% of CEOC; however, CEC is not one of the debtors named in the CEOC Petition and the other bankruptcy petitions. Properties located within the District that are currently listed as being included in the CEOC filing include Caesars Palace Las Vegas. It is also unclear at this time whether, or by how much, the filing of the CEOC Petition and the other bankruptcy petitions will impact the payment of property taxes by CEC or entities directly or indirectly related to it. On January 13, 2017, Caesar's filed Third Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan") (Docket No. 5325). By order entered on January 17, 2017, the Bankruptcy Court confirmed the Plan. The Plan has not yet become effective and remains subject to objections until its effective date.

Source: County Assessor's website (report dated 10/31/16); CEOC Petition (for footnote 2).

Property Tax Limitations

Overlapping Property Tax Caps. Article X, Section 2, of the State constitution limits the total ad valorem property taxes levied by all overlapping governmental units within the boundaries of any county (i.e., the State, and any county, city, town, school district or special district) to an amount not to exceed five cents per dollar of assessed valuation (\$5 per \$100 of assessed valuation) of the property being taxed. Further, the combined overlapping tax rate is limited by statute to \$3.64 per \$100 of assessed valuation in all counties of the State with certain exceptions that (a) permit a combined overlapping tax rate of up to \$4.50 per \$100 in assessed valuation in the case of certain entities that are in financial difficulties (or require a combined overlapping tax rate of \$5.00 per \$100 of assessed valuation in certain circumstances of severe financial emergency); and (b) require that \$0.02 of the statewide property tax rate of \$0.17 per \$100 assessed valuation is not included in computing compliance with this \$3.64 cap. (This \$0.02 is, however, counted against the \$5.00 cap). State statutes provide a priority for taxes levied for the payment of general obligation bonded indebtedness in any year in which the proposed tax rate to be levied by overlapping units within a county exceeds any rate limitation, a reduction must be made by those units for purposes other than the payment of general obligation bonded indebtedness, including interest thereon.

Local Government Property Tax Revenue Limitation. State statutes limit the revenues local governments, other than school districts, may receive from ad valorem property taxes for purposes other than paying certain general obligation indebtedness which is exempt from such ad valorem revenue limits. These revenue limitations do not apply to ad valorem taxes levied to repay the 2017 Bonds, which are exempt from such ad valorem revenue limits. This rate is generally limited as follows: the assessed value of property is first differentiated between that for property existing on the assessment rolls in the prior year (old property) and new property. Second, the property tax revenue derived in the prior year is increased by no more than 6% and the tax rate to generate the increase is determined against the current assessed value of the old property. Finally, this tax rate is applied against all taxable property to produce the allowable property tax revenues. This cap operates to limit property tax revenue dependent upon changes in the value of old property and the growth and value of new property.

A local government, other than a school district, may exceed the property tax revenue limitation if the proposal is approved by its electorate at a general or special election. In addition, the Executive Director of the Department of Taxation will add, to the allowed revenue from ad valorem taxes, the amount approved by the Legislature for the costs to a local government of any substantial programs or expenses required by legislative enactment. In the event sales tax estimates from the Nevada Department of Taxation exceed actual revenues available to local governments, Nevada local governments receiving such sales tax may levy a property tax to make up the revenue shortfall.

The County and cities within the County levy various tax overrides as allowed or required by State statutes.

State statutes limit the revenues school districts may receive from ad valorem property taxes for operating purposes. Pursuant to NRS 387.195, each board of county commissioners shall levy a tax of \$0.75 per \$100 of assessed valuation for the support of the public schools within the county school district. School districts are also allowed additional levies for voter-approved debt service and voter-approved tax overrides for capital projects.

The Nevada Tax Commission monitors the impact of tax legislation on local government services.

Proposed Constitutional Amendment – Senate Joint Resolution 13. Senate Joint Resolution 13 (“SJR 13”), adopted by the 2015 session of the Nevada Legislature, proposes to amend the Nevada Constitution. Under Nevada law, constitutional amendments require majority approval by each house of the Legislature in two separate legislative sessions and then majority approval by the general electorate. SJR 13, therefore, will be considered again in the 2017 Legislature. If it is approved again, it is expected that it will be placed on the ballot for the November 2018 general election.

SJR 13 would impose certain additional limitations on property taxes. It is unclear how the amendment would work with existing abatement requirements. If approved, SJR 13 is expected to require enabling legislation which has not yet been introduced. The proposed amendment itself would, among other provisions, limit taxes to 1.25% of taxable value. Property taxes for debt (including the 2017 Bonds), however, generally would be excluded from SJR 13’s limit. SJR 13 only applies to real property taxes. It also requires a new “uniform and just” valuation of property for taxation and it generally limits increases in property values to the lesser of 3% per year or the rate of inflation, with certain exceptions. SJR 13 would also change the taxable value of real property upon certain transfers of the property.

Many of the provisions of SJR 13 are unclear and the amendment will require additional legislation to implement. It is not possible to predict at this time whether it will become law, or what its impact will be on the District’s ability to levy property taxes if it does become law.

Required Property Tax Abatements

General. In 2005, the Legislature approved the Abatement Act (NRS 361.471 to 361.4735), which established formulas to determine whether tax abatements are required for property owners in each year. For residential properties, an abatement generally is required to reduce the amount of property taxes owed to not more than 3% more than the amount levied in the immediately preceding fiscal year. That same formula applies (as a charitable exemption) to commercial property that qualifies as low-income rental housing. Finally, for all properties, an abatement from ad valorem taxation is required to reduce the amount of property taxes owed to no more than an amount determined pursuant to a formula. The first part of the formula requires a determination of the greater of: (1) the average percentage change in the assessed valuation of all taxable property in the County, as determined by the Department of Taxation, over the fiscal year in which the levy is made and the 9 immediately preceding fiscal years; (2) the percentage equal to twice the increase in the Consumer Price Index for all Urban Consumers, U.S. City Average (All Items) for the immediately preceding calendar year or (3) zero. The second part of the formula requires determination of the lesser of: (1) 8% and (2) the percentage determined in the previous sentence. After making both determinations, whatever part of the formula yields the lowest percentage is used to establish the maximum percentage of increase (over the prior year) in tax liability for each property. This abatement formula also must be applied to residential properties and low-income rental properties if it yields a greater reduction in property taxes than the 3% test described above. The Abatement Act limits do not apply to new construction. The Abatement Act formulas are applied on a parcel-by-parcel basis each year. For example, in the County for fiscal year 2016-2017, the Abatement Act formula results in a maximum percentage increase of tax liability for each parcel of 0.2% over the prior year for all types of properties, including residential properties and low-income rental properties.

Generally, reductions in the amount of ad valorem property tax revenues levied in the County are required to be allocated among all of the taxing entities in the County in the same proportion as the rate of ad valorem taxes levied for that taxing entity bears to the total combined rate of all ad valorem taxes levied for that fiscal year. However, abatements caused by tax rate increases are to be allocated against the entity that would benefit from the tax increase rather than among all entities uniformly. Revenues realized from new or increased ad valorem taxes that are required by any legislative act that was effective after April 6, 2005, generally are exempt from the abatement formulas. The Abatement Act provides for the recapture of previously abated property tax revenues in certain limited situations.

Levies for Debt Service. Revenues resulting from increases in the rate of ad valorem taxes for the payment of tax-secured obligations are exempt from the Abatement Act formulas if increased rates are necessary to pay debt service on the related obligation in any fiscal year if (1) the tax-secured obligations were issued before July 1, 2005; or (2) the governing body of the taxing entity and the County Debt Management Commission make findings that no increase in the rate of an ad valorem tax is anticipated to be necessary for payment of the obligations during their term. Based on a resolution passed by the County Debt Management Commission on January 5, 2017, ad valorem tax rate increases to pay debt service on the 2017 Bonds would be exempt from the Abatement Act formulas.

General Effects of Abatement. Limitations on property tax revenues could negatively impact the finances and operations of the taxing entities in the State, including the County, to an extent that cannot be determined at this time.

Additional Abatement of Taxes for Severe Economic Hardship. In 2002, following voter approval of a State constitutional amendment, the Legislature enacted a law implementing an abatement of the tax upon or an exemption of part of the assessed value of an owner-occupied single-family residence to the extent necessary to avoid severe economic hardship to the owner of that residence. Pursuant to that legislation, the low-income owner (defined by law) of a single-family residence with an assessed value of \$175,000 or less may file a claim with the county treasurer to postpone the payment of all or part of the property tax due against the residence if certain requirements specified in the legislation are met. The

amount of tax that may be postponed may not exceed the amount of property tax that will accrue against the residence in the succeeding three fiscal years. Any postponed property tax (and any penalties and the interest that accrue as provided in the statute) constitutes a perpetual lien against the residence until paid. The postponed tax becomes due and payable if: the residence ceases to be occupied by the claimant or is sold; any non-postponed property tax becomes delinquent; if the claimant dies; or on the date upon which the postponement expires, as determined by the county treasurer.

Overlapping Tax Rates and Estimated Overlapping General Obligation Indebtedness

Overlapping Tax Rates. The following table presents a history of statewide average tax rates and a representative overlapping tax rate for several taxing districts located in Las Vegas, the County seat and the most populous city in the County. The overlapping rates for incorporated and unincorporated areas within the District vary depending on the rates imposed by applicable taxing jurisdictions. The highest overlapping tax rate in the District currently is \$3.4030 in Mt. Charleston Town.

History of Statewide Average and Sample Overlapping Property Tax Rates⁽¹⁾

| <u>Fiscal Year Ended June 30,</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Average Statewide rate | <u>\$3.1304</u> | <u>\$3.1212</u> | <u>\$3.1232</u> | <u>\$3.1360</u> | <u>\$3.1500</u> |
| Clark County | \$0.6541 | \$0.6541 | \$0.6541 | \$0.6541 | \$0.6541 |
| Clark County School District | 1.3034 | 1.3034 | 1.3034 | 1.3034 | 1.3034 |
| City of Las Vegas | 0.7715 | 0.7715 | 0.7715 | 0.7715 | 0.7715 |
| Las Vegas-Clark County Library District | 0.0942 | 0.0942 | 0.0942 | 0.0942 | 0.0942 |
| Las Vegas Metro Police | 0.2850 | 0.2850 | 0.2850 | 0.2850 | 0.2850 |
| State of Nevada ⁽²⁾ | <u>0.1700</u> | <u>0.1700</u> | <u>0.1700</u> | <u>0.1700</u> | <u>0.1700</u> |
| Total | <u>\$3.2782</u> | <u>\$3.2782</u> | <u>\$3.2782</u> | <u>\$3.2782</u> | <u>\$3.2782</u> |

⁽¹⁾ Per \$100 of assessed valuation.

⁽²⁾ \$0.0200 of the State rate is exempt from the \$3.64 cap. See “Property Tax Limitations” above.

Source: Property Tax Rates for Nevada Local Governments — State of Nevada, Department of Taxation, 2012-13 through 2016-17.

Estimated Overlapping General Obligation Indebtedness. In addition to the general obligation indebtedness of the District, other taxing entities are authorized to incur general obligation debt within boundaries that overlap or partially overlap the boundaries of the District. In addition to the entities listed below, other governmental entities may overlap the District but have no general obligation debt outstanding. The following table sets forth the estimated overlapping general obligation debt chargeable to property owners within the District as of February 1, 2017.

Estimated Overlapping Net General Obligation Indebtedness
As of February 1, 2017

| <u>Entity</u> ⁽¹⁾ | <u>Total</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u> | <u>Presently</u> <u>Self-Supporting</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u> | <u>Net Direct</u> <u>General</u> <u>Obligation</u> <u>Indebtedness</u> | <u>Percent</u> <u>Applicable</u> ⁽²⁾ | <u>Overlapping</u> <u>Net General</u> <u>Obligation</u> <u>Indebtedness</u> ⁽³⁾ |
|---|--|--|---|--|---|
| Clark County | \$2,518,486,964 | \$2,501,193,000 | \$ 17,293,964 | 99.06% | \$ 17,131,401 |
| Clark County School District | 2,612,255,000 | 702,195,000 | 1,910,060,000 | 99.06% | 1,892,105,436 |
| Henderson | 216,093,861 | 186,433,861 | 29,660,000 | 100.00% | 29,660,000 |
| Las Vegas | 510,065,000 | 439,080,000 | 70,985,000 | 100.00% | 70,985,000 |
| Mesquite | 25,658,449 | 17,605,449 | 8,053,000 | 100.00% | 8,053,000 |
| North Las Vegas | 411,315,000 | 401,550,000 | 9,765,000 | 100.00% | 9,765,000 |
| Clark County Water Reclamation District | 463,437,944 | 463,437,944 | 0 | 100.00% | 0 |
| Las Vegas-Clark County Library District | 14,185,000 | 0 | 14,185,000 | 100.00% | 14,185,000 |
| Boulder City Library District | 965,000 | 0 | 965,000 | 100.00% | 965,000 |
| Big Bend Water District | 3,532,220 | 3,532,220 | 0 | 100.00% | 0 |
| Virgin Valley Water District | 21,099,450 | 15,467,450 | 5,632,000 | 100.00% | 5,632,000 |
| State of Nevada | 1,437,398,500 | 297,173,000 | 1,140,225,500 | 69.83% | 796,219,467 |
| TOTAL | \$8,234,492,388 | \$5,027,667,924 | \$3,206,824,464 | | \$2,844,701,303 |

(1) Other taxing entities overlap the County and may issue general obligation debt in the future.

(2) Based on fiscal year 2017 assessed valuations in the respective jurisdictions. The percent applicable is derived by dividing the assessed valuation of the governmental entity into the assessed valuation of the County.

(3) Overlapping Net General Obligation Indebtedness equals total existing general obligation indebtedness less presently self-supporting general obligation indebtedness times the percent applicable.

Source: Clark County Department of Finance; Hobbs, Ong & Associates; Nevada Department of Taxation; and/or the respective jurisdiction/agency.

The following table sets forth the total net direct and overlapping general obligation indebtedness attributable to the District as of February 1, 2017.

Net Direct & Overlapping General Obligation Indebtedness

| | |
|--|-----------------|
| Total General Obligation Indebtedness | \$3,263,833,000 |
| Less: Self-supporting General Obligation Indebtedness | 3,263,833,000 |
| Net Direct General Obligation Indebtedness | 0 |
| Plus: Overlapping Net General Obligation Indebtedness | 2,844,701,303 |
| Net Direct & Overlapping Net General Obligation Indebtedness | 2,844,701,303 |

Source: Compiled by Hobbs, Ong and Associates, Inc.

Selected Debt Ratios

The following table sets forth selected District debt ratios for the periods shown.

Selected Direct General Obligation Debt Ratios

| <u>Fiscal Year Ended June 30</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Population ⁽¹⁾ | 2,031,723 | 2,069,450 | 2,188,353 | 2,118,353 | 2,118,353 |
| Assessed Value ⁽²⁾ | \$ 53,662,662,749 | \$ 54,667,789,800 | \$ 62,230,717,921 | \$ 68,515,733,056 | \$ 73,898,728,086 |
| Taxable Value ⁽²⁾ | \$153,321,893,569 | \$156,193,685,143 | \$177,802,051,203 | 195,759,237,303 | \$211,139,223,103 |
| <u>Gross Direct G.O. Debt⁽³⁾</u> | \$2,715,105,000 | \$2,675,690,000 | \$2,674,900,000 | \$2,852,886,000 | \$3,267,418,000 |
| <u>RATIO TO:</u> | | | | | |
| Per Capita | \$1,336.36 | \$1,292.95 | \$1,262.73 | \$1,346.75 | \$1,542.43 |
| Percent of Assessed Value | 5.06% | 4.89% | 4.30% | 4.16% | 4.42% |
| Percent of Taxable Value | 1.77% | 1.71% | 1.50% | 1.46% | 1.55% |
| <u>Net Overlapping G.O. Debt⁽³⁾</u> | \$3,593,756,806 | \$3,280,677,423 | \$3,219,357,065 | \$3,030,602,041 | \$2,844,701,303 |
| <u>RATIO TO:</u> | | | | | |
| Per Capita | \$1,768.82 | \$1,585.29 | \$1,519.75 | \$1,430.64 | \$1,342.88 |
| Percent of Assessed Value | 6.70% | 6.00% | 5.17% | 4.42% | 3.85% |
| Percent of Taxable Value | 2.34% | 2.10% | 1.81% | 1.55% | 1.35% |

(1) Reflects State Demographer estimates for the County as of July 1 of each year shown. The population figure for 2016 and 2017 is the same as the estimated figure for 2015 because no population estimates yet exist for 2016 and 2017.

(2) See "Property Tax Base and Tax Roll" for an explanation of Assessed Value and Taxable Value. The assessed valuations of the Redevelopment Agencies were not included in calculating debt ratios.

(3) As of June 30 in each year except fiscal year 2017. Fiscal year 2017 debt information is as of February 1, 2017 (Includes the issuance of the 2017 Bonds and the 2017 Refunding Project).

Sources: Population data for 2012-15: Governor Certified Population Estimates of Nevada's Counties, Cities and Towns 2000 to 2014 and projected 2015, 2016 and 2017 population by Nevada State Demographer; and debt information: the Financial Advisors.

LAS VEGAS VALLEY WATER DISTRICT

The following information is provided for the District as the issuer of the 2017 Bonds. The District manages the SNWA pursuant to the Operations Agreement and currently also is the largest customer of the SNWA.

General

The District was created under the District Act for the purpose of obtaining and distributing potable water within its service area, consisting primarily of the Las Vegas Valley and the communities of Blue Diamond, Jean and Searchlight, Nevada. The District manages the Kyle Canyon Water District and the Coyote Springs Water Resources General Improvement District under contract with the County. The District also manages the Big Bend Water District pursuant to a contract with its board of trustees. The District is the largest purveyor of potable water for municipal and industrial use in southern Nevada.

The District's boundaries originally consisted primarily of the Las Vegas Valley. In July 1989, the Legislature extended the boundaries of the District to be coterminous with the County's boundaries. In July 1993, the Legislature excluded the VVWD from the District's boundaries. Nellis Air Force Base and the cities of Boulder City, Henderson, Mesquite and North Las Vegas are included within the District's boundaries, but have their own municipal water systems. As of November 30, 2016, the District had 384,054 (unaudited) active customer accounts.

The District is the largest member of the SNWA, which is responsible for, among other things, developing additional water supplies for the District, providing water treatment services for the District, and providing some pumping and distribution facilities to the District. See “Intergovernmental Relationships,” particularly “Southern Nevada Water Authority and Southern Nevada Water System” below. The District also operates the SNWS on behalf of the SNWA. The District Act grants the District the responsibility to construct, maintain and operate the SNWA’s regional treatment and transmission system, the right of eminent domain, the power to cause taxes to be levied, the power to create assessment districts for the purpose of acquiring water projects, and the power to incur indebtedness.

Governing Body

The District is governed by a seven-member Board; the Board members are the elected Clark County Commissioners and serve four-year terms. The Board has the sole power to set rates and charges for water. Water charges cannot be put into effect until after a public hearing.

The present members of the Board are as follows:

| <u>Name</u> | <u>Expiration of Term</u> |
|-------------------------------|---------------------------|
| Mary Beth Scow, President | 2019 |
| Steve Sisolak, Vice President | 2021 |
| Susan Brager, Member | 2019 |
| Larry Brown, Member | 2021 |
| Chris Giunchigliani, Member | 2019 |
| Marilyn Kirkpatrick, Member | 2021 |
| Lawrence Weekly, Member | 2021 |

Administration

The General Manager and officers of the District are appointed by the Board. All other staff members are appointed by the General Manager. The following are brief biographies on the District’s General Manager and other staff members.

John J. Entsminger, General Manager. Mr. Entsminger was appointed General Manager of the District and the SNWA in February 2014, after serving as Senior Deputy General Manager since 2011. He joined the organization in 1999 as Deputy Counsel. Mr. Entsminger earned a Bachelor of Arts degree in history and legal studies from the University of Northern Colorado and a Juris Doctor from the University of Colorado School of Law.

Brian Thomas, Acting Chief Financial Officer. The District has contracted with PFM Financial Advisors, LLC (“PFM”) to have Mr. Brian Thomas serve as Acting Chief Financial Officer through a professional services agreement. Mr. Thomas is a managing director with PFM and has nearly 30 years of senior management experience in the public sector, including 10½ years as the Assistant General Manager and Chief Financial Officer for the Metropolitan Water District of Southern California. Mr. Thomas is responsible for financial planning, financial reporting, purchasing, rates and charges, and all other aspects of financial management with the exception of actions related to debt issuance, which have been delegated to Ms. Julie Wilcox, Deputy General Manager. (biography below).

David L. Johnson, Deputy General Manager, Engineering/Operations. Mr. Johnson was named Deputy General Manager of Engineering and Operations for the District and the SNWA in 2014, after serving as Director of SNWA Water Quality & Treatment. He previously worked in chemical

manufacturing management in both New York and Nevada before joining the SNWA in 2004. He earned a Bachelor of Science degree in chemical engineering from Purdue University.

Julie A. Wilcox, Deputy General Manager, Administration. Ms. Wilcox was named Deputy General Manager of Administration for the District and the SNWA in 2014, after serving as Director of Public Services and Executive Director of the Springs Preserve. She also serves as Chief Lobbyist, and has worked in the organization since 1993 as well as in various capacities at state and local government since 1984. She earned a Bachelor of Arts degree from UNLV, as well as a Master's degree in political science.

Gregory J. Walch, Esq., General Counsel. Mr. Walch was named General Counsel of the District and the SNWA in May 2012. Prior to joining the organization, he practiced law in the areas of environmental, administrative, water, land use, mining and eminent domain in southern Nevada and co-founded the law firm now known as Holley, Driggs, Walch, Puzey & Thompson. He earned a Bachelor of Science degree in Agricultural Engineering from Iowa State University and a Juris Doctor from Lewis & Clark Northwestern School of Law.

Employees, Employee Relations and Pension Benefits

General. The District considers employee relations to be very good. As of December 1, 2016 there were approximately 1,247 permanent employees. There are four bargaining units represented by three associations and Teamster's Local Union No. 14. The main office field employees (largely consisting of repairmen, meter readers, and inspectors) are represented by the Water Employees Association. The front-line supervisors are represented by the Water Supervisors Association of Nevada. The Las Vegas Valley Public Employees Association represents the office technical staff. These employee associations are independent and are not affiliated with any national labor organization or any other public employees association. Teamster's Local Union No. 14 represents the trade, crafts and related positions at the SNWS. The remaining positions, including exempt positions, are not represented by any group, association or union. The working rules concerning their employment are adopted by the Board. All collective bargaining agreements were successfully renegotiated in 2015 and expire on June 30, 2020.

Recent Events. In July 2016, a former District employee was indicted in a scheme to steal from the District and then sell more than \$6.7 million worth of ink and toner cartridges over multiple years. The District has instituted additional internal controls to minimize the likelihood of similar incidences in the future.

Pension Plan. The District contributes to the Las Vegas Valley Water District Pension Plan ("Plan"), a single-employer pension trust fund, which was established by the District to provide pension benefits solely for the employees of the District.

All District employees are eligible to participate in the Plan after attaining age 20 and completing six months of employment, with vesting after five years of employment. The District contributes amounts it determines are necessary on an actuarial basis to fund the Plan in order to pay benefits when due. Such contributions cannot revert to or be recoverable by the District or be used for any other purpose than the exclusive benefit of the participants. The District pays 100% of the Plan's annual required contributions (determined as part of actuarial valuations at July 1 of each plan year) when due. The District's contributions to the Plan were \$28,853,341 and \$29,414,230 for the fiscal years ended June 30, 2015 and 2016, respectively.

A more detailed description of the Plan, including additional details regarding benefits, calculation of average monthly compensation, the vesting schedule for benefits, the valuation date, actuarial cost method, asset valuation method (including the use of smoothing techniques) and other

significant actuarial and other assumptions for the fiscal year ended June 30, 2016, can be found in Note 16 and in the Required Supplementary Information in the audited financial statements attached hereto as Appendix A.

The components of net pension liability of the Plan are:

| | As of <u>June 30, 2016</u> | As of <u>June 30, 2015</u> |
|--|-------------------------------|-------------------------------|
| Total Pension Liability | \$ 534,426,915 | \$480,743,435 |
| Fiduciary Net Position | <u>330,934,926</u> | <u>309,316,943</u> |
| Net Pension Liability | 203,491,989 | \$171,426,492 |
| Fiduciary Net Position as a Percentage of Total Pension Liability | 61.92% | 64.34% |
| Covered Payroll | \$ 110,683,142 | \$112,917,601 |
| Net Pension Liability as a Percentage of Covered Payroll | 183.85% | 151.82% |

Through December 31, 2013, benefit obligations were recognized and paid when due by purchasing annuity contracts from a life insurance company. Beginning January 1, 2014, benefit obligations are paid by the Plan through Wells Fargo Bank, N.A.. Cost of living adjustments for benefit obligations that were initially paid by purchasing annuity contracts from a life insurance company continue to be paid by purchasing additional annuity contracts from a life insurance company. The obligation for the payment of benefits covered by these annuity contracts have been transferred to a life insurance company and are excluded from the Plan assets.

If the assets and liabilities for retirees or their beneficiaries whose benefits were purchased with annuity contracts from a life insurance company were included with the Plan assets, the Fiduciary Net Position would increase as follows:

| | As of <u>June 30, 2016</u> | As of <u>June 30, 2015</u> |
|--|-------------------------------|-------------------------------|
| Fiduciary Net Position as a Percent of Total Pension Liability | 71.17% | 73.88% |

The District adopted GASB Statement No. 68 effective for fiscal year 2015. The cumulative effect of applying the new Statement is reported as a restatement of the beginning net position as of the beginning of the initial period of implementation and is set forth below.

| | |
|---|----------------------|
| Beginning net position as previously reported at June 30, 2014 | \$1,047,961,519 |
| Prior period adjustment – implementation of GASB 68 – net pension liability | <u>(103,832,297)</u> |
| Net position as restated, July 1, 2014 | <u>\$944,129,222</u> |

Other Post-Employment Benefits. The District provides life insurance and group health insurance in accordance with its working rules and labor agreements, to all full-time employees who retire from the District with 30 years of service or after attaining age 60 with at least 10 years of service (“Retirees”). The payment of the premiums for such insurance coverage constitutes other post-employment benefits (“OPEB”) for purposes of Governmental Accounting Standards Board Statement No. 45 (“GASB 45”). For Retirees who retire with pension benefits unreduced by early retirement, the District pays 100% of life insurance and group health insurance premiums (through a group plan offered by the County as generally described below) for the retirees and 85% of the group health insurance premiums for their dependents, until Retirees become eligible for Medicare benefits. Retirees who retire early with reduced pension benefits must pay the full premium to the County as the District’s insurance

provider. The County offers two types of health insurance, a self-funded preferred provider organization plan (“PPO”) and a health maintenance organization (“HMO”) plan. Retirees can elect to continue coverage under either of these plans on payment of the required premium for themselves and their dependents. The premium is based on the number of persons covered (i.e., the premium is greater for a Retiree who elects to also have dependents covered). However, since the County charges the District the same premiums for Retirees as for active employees, the retiree premium rates are being subsidized by the District through the premiums paid on behalf of active members. As of July 1, 2014, the most recent actuarial valuation date, there were 118 Retirees receiving OPEB benefits, which are funded on a pay-as-you-go basis. OPEB benefits are vested benefits.

The annual OPEB cost reported in the District’s financial statements is equal to the annual required contributions (“ARC”) of the District, which are calculated using an actuarial valuation based upon the methods and assumptions applied in determining the plan’s funding requirements, plus one year’s interest on the beginning-of-the-year net OPEB obligations and plus or minus other adjustments. The OPEB obligation at June 30, 2016, is determined by adding the annual OPEB cost to the OPEB obligation at the beginning of the fiscal year and deducting any contributions to the plan during the year. The pay-as-you-go basis requires lower contributions than the ARC. Detailed information about the District’s OPEB obligations as of June 30, 2016, including eligibility requirements, the funding policy, actuarial methods and significant assumptions (which are not certain to be realized), funding status and funding progress, insured benefit information and information about ARC and unfunded actuarial accrued liability can be found in Note 14 and in the Required Supplementary Information in the audited financial statements attached hereto as Appendix A.

For fiscal year 2015, the District obtained an updated actuarial study of the District’s OPEB obligations as of July 1, 2014. According to that study, which among other significant assumptions, assumed a discount rate of 4.0%, the District’s Actuarial Accrued Liability (“AAL”) was \$28.4 million (as compared to \$23.5 million as of July 1, 2012). The District is not funding a trust with respect to its OPEB liabilities; as a result, the liabilities are 0% funded and the District’s Unfunded Actuarial Accrued Liability (“UAAL”) also was \$28.4 million as of July 1, 2014. The normal cost for fiscal year 2016 was \$2,940,260 and the ARC was \$3,176,606 (as compared to a normal cost of \$3,028,280 and ARC of \$3,242,492 for fiscal year 2015). The District funds its OPEB costs on a pay-as-you-go basis (\$1,703,882 in fiscal year 2016); as a result, its UAAL and its ARC are expected to increase in each year. The District is considering funding a trust for its OPEB obligations, but has not made any definitive plans to do so.

Risk Management

The District employs a multi-faceted approach to risk management, which includes prevention, reduction, transfer, avoidance, and/or elimination of risk of loss. The District purchases insurance from the commercial insurance market on real and personal property, including terrorism, earthquake and flood insurance with standard policy restrictions. The District’s insurance covers direct physical loss or damage to buildings, fixtures, equipment, boilers, machinery and supplies. The blanket limit of liability under the property insurance program (including industrial equipment) is \$500 million with a deductible of \$1 million for all locations except earthquake and flood insurance, which has limits of \$100 million and \$50 million respectively, and a deductible of \$100,000. This program also provides terrorism insurance for all locations with a blanket limit of \$500 million for all terrorist acts. The District self-insures the first \$1 million for automobile and general liability exposure and purchases excess liability insurance in the amount of \$30 million over the \$1 million self-insured retention. In addition, the District purchases employee fidelity insurance in the amount of \$3 million and other miscellaneous coverage. It also self-insures its workers’ compensation exposure for \$500,000 per claim and purchases excess workers’ compensation insurance with statutory limits.

In construction contracts, the District obtains indemnification and hold-harmless agreements. These agreements usually require that contractors name the District as an additional insured under the

indemnitor's insurance coverage. The District provides builders risk insurance for construction projects with a blanket limit of \$500 million per occurrence, based on the value reported for the project, subject to a \$50,000 deductible per claim, except earthquake and flood, which has a deductible of \$500,000 per claim.

Intergovernmental Relationships

General. The District serves potable water to customers in the City of Las Vegas and the unincorporated urban areas of the County. As the largest water purveyor in the County, the District has taken a leadership role in conservation and regional water issues. The District plays a vital role in the management and provision of water resources in southern Nevada. To fulfill this role, the District must work effectively and cooperate with State and federal governments, numerous local jurisdictions and other local water purveyors. The following describes these intergovernmental relationships.

Major Water Purveyors. The major water purveyors and the percentages of Colorado River water distributed in the Las Vegas area for the twelve months ended June 30, 2016 are as follows: Boulder City (2.5%), Henderson (16.0%), North Las Vegas (12.0%) and the District (69.5%).

Wastewater Treatment Agencies. The wastewater treatment agencies within the County are as follows: Boulder City, Henderson, Las Vegas, North Las Vegas and the Clark County Water Reclamation District. The wastewater treatment agencies also are members of the SNWA. Return flow credits (provided primarily by returning treated wastewater to Lake Mead) allow the diversion of water in excess of the consumptive use allotment; accordingly, the wastewater treatment agencies are an important component of the SNWA.

Southern Nevada Water Authority. In 1991, the cities of Boulder City, Henderson, Las Vegas and North Las Vegas, the Big Bend Water District, the Clark County Water Reclamation District and the District (each a "Member") formed the SNWA to develop additional water supplies for its Members and to address water issues on a regional basis. The SNWA Board consists of one member selected from each of the Member agencies. The District operates the SNWS on behalf of the SNWA, including providing the operating staff for the SNWA. Each year, the SNWA Board considers and renews the appointment of the General Manager of the District as the General Manager of the SNWA. The General Manager of the District has been appointed the General Manager of the SNWA each year since 1993.

As described in "Major Water Purveyors" above, the District is the largest customer of the SNWA and purchases the largest allotment of Colorado River water from the SNWA. The District purchases nearly 90% of its water from the SNWA. Certain information about SNWA and its operations is provided in "SOUTHERN NEVADA WATER AUTHORITY."

Southern Nevada Water System. The SNWS is the regional system consisting of water treatment plant, pumping and distribution facilities that supply water to the retail water purveyors in southern Nevada. Prior to 1996, portions of the SNWS were owned by the Colorado River Commission ("CRC") and the federal government. In accordance with legislation passed during 1995 by the Nevada Legislature, the portions of the SNWS owned by the CRC were transferred to the SNWA in January 1996. In addition, in July 2001, the SNWA purchased the portions of the SNWS owned by the United States Bureau of Reclamation (the "Robert B. Griffith Water Project") by prepaying certain federal loans used to finance construction of those portions of the SNWS. As a result, the SNWA now owns all of the assets comprising the SNWS. Certain information about SNWS is provided in "SOUTHERN NEVADA WATER SYSTEM."

Colorado River Commission. The CRC is a State agency created in the mid-1930's to acquire and protect Nevada's right to water and power resources from the Colorado River. Colorado River water is apportioned among the seven Colorado River basin states and Mexico. The CRC also is responsible for

the negotiation and execution of contracts, leases or agreements with respect to electric power in the State. The seven-member CRC is made up of four members appointed by the governor (including the chairperson) and three SNWA Board members.

U.S. Bureau of Reclamation. The U.S. Bureau of Reclamation, Department of the Interior, is responsible for managing the Colorado River for the benefit of the users with rights to Colorado River water. Any changes to the laws governing the Colorado River that would benefit the State will require the cooperation and approval of the federal government and all seven of the basin states.

Water System

Water Treatment. Other than chlorinating water produced by its wells, the District does not own water treatment facilities (the SNWA provides treated water to the District). Water produced from the District's wells is subject to water quality standards established by the Safe Drinking Water Act. Due to the District's chlorination system and monitoring of groundwater sources, the District currently meets, or exceeds, existing standards for water quality as established by the Safe Drinking Water Act. However, water quality standards could become more stringent in the future, possibly necessitating additional capital and/or operation and maintenance costs. The District continually monitors the development of regulations that are being promulgated by the Environmental Protection Agency to satisfy the requirements of the Safe Drinking Water Act and plans for and takes appropriate action to position itself to satisfy the requirements of new regulations. Although these actions and future necessary steps likely will increase the cost of operation of the District's Water System (and the SNWS), the District believes that these cost increases will not have a significant adverse effect on the overall cost of operating the Water System.

Water Distribution. Due to differences in ground elevations across the Las Vegas Valley, the distribution system is divided into 24 principal pressure zones with elevations ranging from 1,845 to 3,665 feet above sea level. The Water System includes reservoir storage with over 900 million gallons ("mg") of storage capacity, approximately 60 pumping stations, over 100 wells capable of producing slightly more than 200 mg per day, and over 4,500 miles of pipeline ranging in size from 4" to 96" in diameter. In calendar year 2016, the District produced 108,625 mg of water for distribution. Of that amount, 13,313 mg was pumped from wells (the maximum day production was 111 mg); the remainder was purchased from the SNWA. The average daily water production for the entire Las Vegas Valley for 2016 was 371 mg from the SNWS to the purveyors. The peak daily usage for 2016 was 529 mg from the SNWS to the purveyors.

Electrical Power. State law allows local governments to opt out of the private purchase of power for water/wastewater functions if alternative sources of power are available. SNWA has entered into a power supply contract with the Silver State Energy Association ("SSEA") in order to provide a reliable source of power for all of its needs. The District has an interlocal agreement with the SNWA for the purchase of about half of its electrical power, while the other half is provided by the privately-owned and publicly-regulated local utility, NV Energy. See Note 13 in the audited financial statements attached hereto as Appendix A for a further discussion of the District's power contracts. To a limited extent, the District also utilizes natural gas provided by Southwest Gas Corporation, which is also a privately-owned and publicly-regulated utility. SNWA receives about 12% of its supply needs from federal hydropower from Hoover and Parker Davis Dams. The District will begin receiving about 10% of its supply needs from federal hydropower from Hoover Dam beginning in October 2017.

Capital Program. The District maintains a long-range facility planning process to determine the type, size and location of water distribution capital facilities needed to meet the water services demands within its service area. The focus of the capital projects has moved from system expansion due to significant growth over the last several decades to greater emphasis on system reliability as growth levels off. As much of the overall distribution system is relatively new, the District has implemented a proactive

asset management program to ensure that facilities are replaced or improved before they become aged or obsolete. This asset management effort has been incorporated into the District's long range financial planning effort.

The current ongoing capital plan includes new and replacement pumping stations, reservoirs and wells, land acquisition, new water pipelines, and other distribution system facilities. Some of these projects will become operational in fiscal year 2017, while other projects will be completed in subsequent fiscal years. Maintenance of District facilities are on-going and are generally included within the District's yearly operations budgets. The District's projects are currently funded with a combination of loans from the State of Nevada through the State Revolving Drinking Water funds and pay-as-you-go funding sources. The District does not currently anticipate issuing additional bonds (other than refunding bonds or bonds issued on behalf of the SNWA) through calendar year 2017.

Competition. Certain areas within the District's boundaries receive service from privately-owned water companies or individually-owned wells. The private companies are few and declining in number and most of them are regulated directly by the State through the Public Service Commission. District officials estimate the population so served to be an insignificant portion of the District's total population.

Effects of Environmental Regulations. Various other environmental laws, regulations, and legal proceedings at both the state and federal levels could affect future operations of the Water System. Generally, the environmental requirements relate to environmental impact, land use, appropriation of water, and water quality. The District's ability to use and develop water rights in the future, and the associated costs, may be adversely affected by such environmental requirements.

Drought Planning. Over the last fifteen years, southern Nevada and the Colorado River Basin have experienced one of the worst droughts on record. As part of its response to these drought conditions, the SNWA and its member agencies (including the District) use a scenario planning approach in the SNWA's Water Resource Plan. The SNWA is working also with the seven basin states to develop a Colorado River lower basin drought contingency plan. See "SOUTHERN NEVADA WATER SYSTEM - Water Resource Plan, Drought Planning and Integrated Water Resource Planning" for a general description of the drought planning. It should be noted that projections of water resources availability and water demands are subject to uncertainty resulting from numerous variables and that actual results may differ, possibly materially, from those contemplated in the projections.

Customer Information

Accounts. In 1954, when it first began delivering water, the District served approximately 8,000 accounts. The following table is a description of the District's accounts, the number of gallons of water consumed per billing and the revenue produced for the fiscal year ended June 30, 2016.

District Accounts and Consumption Information⁽¹⁾

| <u>Description</u> | <u>Number of Active Accounts</u> | <u>Annual Consumption Per Billing (1,000 gal.)</u> | <u>Annual Revenue Produced⁽²⁾</u> |
|--------------------------------------|--|--|--|
| Residential, Single Service | 344,595 | 45,209,157 | \$199,318,626 |
| Residential, Duplex/Triplex/Fourplex | 2,828 | 680,055 | 2,837,586 |
| Apartment, Condominium and Townhouse | 4,357 | 15,626,628 | 59,121,574 |
| Residential, other | 257 | 1,025,439 | 2,677,800 |
| Hotels | 238 | 9,732,548 | 37,242,933 |
| Motels | 254 | 1,218,345 | 5,005,030 |
| Community Facilities | 1,029 | 1,977,562 | 8,851,313 |
| Schools | 677 | 1,699,048 | 7,294,182 |
| Fireline | 5,083 | 604,589 | 25,406,137 |
| Irrigation | 6,582 | 13,931,438 | 51,488,517 |
| Commercial/Business | 8,448 | 8,622,104 | 40,473,208 |
| Recreational | 71 | 211,808 | 858,438 |
| Industrial | 1,271 | 1,312,860 | 6,215,216 |
| Construction Water | 4,730 | 1,464,616 | 6,937,740 |
| Other | <u>371</u> | <u>639,328</u> | <u>2,660,594</u> |
| TOTAL | <u>380,791</u> | <u>103,955,525</u> | <u>\$456,388,893</u> |

⁽¹⁾ Unaudited. As of June 30, 2016. Totals may not add due to rounding.

⁽²⁾ Includes SNWA regional revenues, charges and delinquent fees and other charges.

Source: Las Vegas Valley Water District.

Largest Ratepayers. The following table represents the top ten principal ratepayers for calendar year 2016. No independent investigation has been made of, and consequently there can be no representation as to, the financial conditions of the ratepayers listed, or that any such ratepayer will continue to maintain its status as a top ten ratepayer in the future.

Top Ten Principal Ratepayers - Calendar Year 2015

| <u>Ratepayer</u> | <u>Revenue⁽¹⁾</u> | <u>Rank</u> | <u>Percentage of Total Revenue</u> |
|----------------------------------|------------------------------|-------------|--|
| Clark County School District | \$ 9,828,006 | 1 | 2.21% |
| City of Las Vegas | 5,062,557 | 2 | 1.14 |
| Clark County | 4,673,931 | 3 | 1.05 |
| Bellagio Hotel and Casino | 1,995,627 | 4 | 0.45 |
| Wynn Las Vegas | 1,914,434 | 5 | 0.43 |
| Mandalay Bay Hotel and Casino | 1,842,687 | 6 | 0.41 |
| Clark County Aviation | 1,694,072 | 7 | 0.38 |
| Venetian Casino Resort | 1,563,203 | 8 | 0.35 |
| Southern Highlands Golf Club LLC | 1,538,423 | 9 | 0.35 |
| MGM Grand Hotel and Casino | <u>1,458,702</u> | 10 | <u>0.33</u> |
| Total | <u>\$31,571,642</u> | | 7.09% |

⁽¹⁾ Based on total water revenue of \$445,132,752 for calendar year 2015, including SNWA revenues.

Source: The District.

Water Rates and Charges

The intent of the District is that, so far as possible, debt service on any bonds issued by the District for the benefit of the District will be paid from the revenues derived from the works and properties of the District. The District Act authorizes the District to (a) establish reasonable rates and charges pertaining to the services furnished by the Water System, (b) to pledge such revenues for the payment of its securities and (c) to enforce the collection of such revenues by civil action foreclosure of lien against the property served, the collection of penalty charges, the discontinuance of utility services, or by any other means provided by law. The term “bonds issued by the District for the benefit of the District” does not include bonds such as the 2017B Bonds which are payable from and secured by SNWA Pledged Revenues. See “SECURITY FOR THE 2017B BONDS.”

In February 2016, the Board convened a new advisory committee, the Rates and Rules Citizens Advisory Committee (“CAC”), to evaluate organizational initiatives and make recommendations regarding the District’s Service Rules and water rates. The CAC met nine times between February 17, 2016 and October 20, 2016, completing a process that consisted of education on the District’s Service Rules, asset management and backflow prevention; evaluation of rate structure scenarios; and formulation of recommendations.

After evaluation of the issues and options, the CAC developed 11 recommendations for consideration by the District’s Board. On January 3, 2017, the District Board approved the recommendations. Two of the Board approved recommendations will significantly affect the District’s water rates in a positive manner from a revenue perspective. Water rates are largely comprised of two components: a consumption charge per thousand gallons used and a daily service charge. One of the approved recommendations was to increase water rates by 3.0% on February 1, 2017, and another 3.0% on January 1, 2018. The other recommendation affecting water rates states that on January 1, 2019 and each January 1 thereafter, water rates will increase annually in accordance with the Consumer Price Index (CPI), with the increase not exceeding 4.5% or falling below 1.5%.

Consumption Charges. The water consumption (usage) charges are based on a four-tier system to promote conservation (i.e., as more water is used, the rate per 1,000 gallons increases). Rate tiers determine the rate charged to the customer and are based on how much water is used. Thresholds (determined by gallons used) mark the level of usage where one rate tier ends and another begins. Under the current rate structure, the rate for each tier increases. The cost per 1,000 gallons ranges from \$1.19 to \$4.72, depending on the amount used. Water rates for construction purchases are set at \$3.18 per 1,000 gallons for all meter sizes. Non-potable water rates, including recycled water for golf courses, are set at \$2.33 per 1,000 gallons. Mobile home parks are billed pursuant to a formula based upon meter size and the number of spaces.

Service Charges. Daily service charges for all rate classes increase with meter size. The daily service charge for a 5/8" residential meter is set at \$0.3456 per day (approximately \$10.37 per month), while the charge for a larger meter can range up to \$ 18.0481 per day (approximately \$541.44 per month) for a 12" commercial/industrial meter.

SNWA Charges. SNWA charges include a Regional Commodity Charge, a Regional Reliability Surcharge, and a Regional Infrastructure Charge. The Regional Commodity Charge is \$0.48/1,000 gallons for all billed consumption (except in Jean, Nevada). This charge was last increased by four cents, from \$0.44 to \$0.48/1,000 gallons on January 1, 2017. The Regional Reliability Surcharge (excise tax) on all residential customers at 0.25% of the total water bill, less the SNWA Regional Infrastructure Charge, and at 2.5% for all other customer classes. The Regional Infrastructure Charge is a fixed monthly charge, based on meter size. For residential customers, the monthly charge ranges from \$11.72 per month for 5/8" and 3/4" meters to \$1,117.46 for meters that are 10" and larger. The monthly charge for non-residential customers ranges from \$25.77 for 5/8" and 3/4" meters to \$2,245.05 for meters that are 10" and larger. Non-residential fire meters pay a monthly charge ranging from \$3.34 per month to \$290.43 per month. Revenues generated from the charge are used to pay debt service on SNWA obligations issued for water treatment and transmission infrastructure and, to the extent available, will also be used to fund reserves designed to help stabilize revenue streams severely affected by the erosion of connection charges experienced since 2009. Revenue from the Regional Infrastructure Charge, as well as revenue from other SNWA fees and charges, is forwarded to the SNWA.

Connection Charges. The District charges service connection installation charges, frontage connection charges (a service connection or main extension connecting to an existing main), a Regional Connection Charge to fund SNWA improvements, and over-sizing charges. The District also charges various application and inspection fees. The District Facilities Connection Charge is based on meter size (beginning at \$1,548 and ranging to \$263,160). One of the other recommendations from the CAC that was subsequently approved by the Board was to increase the Facilities Connection Charge annually by 7.5% for four years, beginning on February 1, 2017, and each January 1 thereafter. After those four increases, beginning January 1, 2021 and each January 1 thereafter, the Facilities Connection Charge will be adjusted annually in accordance with the Engineering New Record's Construction Cost Index.

Billing and Collection. The District reads meters or estimates service and bills for service monthly. Current bills not paid by the date of the next regular monthly bill are subject to assessment of late charges of 4% of all amounts in arrears. Service may be disconnected if not paid within 14 calendar days after the billing date shown on that bill. If service is shut off, the customer must pay all past due charges plus a delinquent processing fee of \$20, plus a service turn-on fee of \$10. In addition, the District may place a lien against any property which is not exempt.

Water Rates Comparison. The table on the following page contains a comparison of 2016 water rates among a sampling of major cities in the western United States.

**Unaudited
Las Vegas Valley Water District Enterprise Fund
Revenue Capacity
2016 Municipal Water Rates Survey
Average Monthly Bill for 11,100 Gallons**

| CITY | \$10 - \$20 | \$20 - \$30 | \$30 - \$40 | \$40 - \$50 | \$50 - \$60 | \$60 - \$70 | \$70 - \$80 | \$80 - \$90 | \$90 - \$100 | Over \$100 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------------|
| Santa Barbara, CA | | | | | | | | | | 209.50 |
| Santa Cruz, CA (OC) | | | | | | | | | | 151.70 |
| Santa Fe, NM | | | | | | | | | | 139.94 |
| Colorado Springs, CO (OC) | | | | | | | | | | 127.22 |
| San Francisco, CA | | | | | | | | | | 121.53 |
| Santa Cruz, CA | | | | | | | | | | 119.67 |
| Seattle, WA (OC) | | | | | | | | | | 113.63 |
| San Diego, CA | | | | | | | | | | 105.41 |
| Portland, OR | | | | | | | | | | 101.04 |
| Seattle, WA | | | | | | | | | 99.65 | |
| San Jose, CA | | | | | | | | 89.58 | | |
| Colorado Springs, CO | | | | | | | | 84.78 | | |
| Oakland, CA (EBMUD) | | | | | | | 78.41 | | | |
| Los Angeles, CA | | | | | | | 76.78 | | | |
| Marin, CA | | | | | | | 75.40 | | | |
| Santa Rosa, CA | | | | | | | 74.17 | | | |
| Tucson, AZ | | | | | | | 70.66 | | | |
| Flagstaff, AZ | | | | | | | 69.03 | | | |
| Pasadena, CA (OC) | | | | | | | 63.94 | | | |
| Denver, CO (OC) | | | | | | | 60.89 | | | |
| Phoenix, AZ (OC) | | | | | 58.55 | | | | | |
| Tacoma, WA (OC) | | | | | 58.22 | | | | | |
| Houston, TX | | | | | 56.81 | | | | | |
| San Antonio, TX (OC) | | | | | 55.23 | | | | | |
| Cheyenne, WY | | | | | 54.12 | | | | | |
| San Antonio, TX | | | | | 50.72 | | | | | |
| Pasadena, CA | | | | | 50.51 | | | | | |
| Denver, CO | | | | | 50.10 | | | | | |
| Tacoma, WA | | | | 48.51 | | | | | | |
| North Las Vegas, NV | | | | 48.21 | | | | | | |
| Long Beach, CA | | | | 48.13 | | | | | | |
| Riverside, CA (OC) | | | | 47.93 | | | | | | |
| Boulder, CO (OC) | | | | 47.49 | | | | | | |
| Kingman, AZ (OC) | | | | 47.08 | | | | | | |
| Albuquerque, NM | | | | 45.55 | | | | | | |
| Las Vegas, NV | | | | 45.14 | | | | | | |
| Dallas, TX | | | | 45.12 | | | | | | |
| Reno, NV | | | | 44.83 | | | | | | |
| Anaheim, CA | | | | 44.60 | | | | | | |
| Henderson, NV | | | | 44.17 | | | | | | |
| Billings, MT (OC) | | | | 43.40 | | | | | | |
| Scottsdale, AZ | | | | 42.37 | | | | | | |
| Phoenix, AZ | | | | 42.27 | | | | | | |
| Salt Lake City, UT (OC) | | | | 42.11 | | | | | | |
| Boulder, CO | | | | 41.86 | | | | | | |
| Billings, MT | | | | 41.58 | | | | | | |
| El Paso, TX | | | | 40.96 | | | | | | |
| Victorville, CA | | | | 40.11 | | | | | | |
| Boise, ID | | | 36.76 | | | | | | | |
| Kingman, AZ | | | 36.04 | | | | | | | |
| Boulder City, NV | | | 35.03 | | | | | | | |
| San Bernardino, CA | | | 32.84 | | | | | | | |
| Riverside, CA | | | 31.95 | | | | | | | |
| Salt Lake City, UT | | | 31.48 | | | | | | | |
| St. George, UT | | | 30.85 | | | | | | | |
| Redding, CA | | 29.98 | | | | | | | | |
| Cedar City, UT | | 27.26 | | | | | | | | |

**Based on the District Average Monthly Single-Family
Consumption of 11,100 gallons and a 5/8 or 3/4 Inch Service
Charge for Comparison.**

**OC – Outside City
EBMUD – East Bay Municipal Utilities District**

LAS VEGAS VALLEY WATER DISTRICT FINANCIAL INFORMATION

Annual Reports

General. The District prepares a comprehensive annual financial report (“CAFR”) setting forth the financial condition of the District as of June 30 of each fiscal year. The latest completed report is for the year ended June 30, 2016. The CAFR is the official financial report of the District. It was prepared following generally accepted accounting principles (“GAAP”). The District’s audited basic financial statements for the fiscal year ended June 30, 2016, which are included in the CAFR, are attached to this Official Statement as Appendix A.

Certificate of Achievement. The Government Finance Officer’s Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2015. This is the 37th consecutive year that the District has received this recognition.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents conforming to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The District believes its CAFR for the fiscal year ended June 30, 2016 continues to conform to certificate requirements and submitted it to the GFOA for consideration.

Budgeting

General. Prior to April 15 of each year, the District submits to the State Department of Taxation the tentative budget for the next fiscal year which commences on July 1. The tentative budget contains the proposed expenditures and means of financing them. After reviewing the tentative budget, the State Department of Taxation is required to notify the District upon its acceptance of the budget.

Following acceptance of the proposed budget by the State Department of Taxation, the Board is required to conduct public hearings on the third Monday in May. The Board normally is required to adopt the final budget on or before June 1.

With the exception of monies appropriated for specific capital projects or Federal and State grant expenditures, all uncommitted funds lapse at the end of the fiscal year.

Factors Affecting the District’s Budget for Fiscal Year 2016-17. The fiscal year 2016-17 Budget Plan’s total uses of funds for the District was \$589,543,561, including SNWA charges, or a 9.0 percent increase compared to the District’s 2015-16 adopted budget. District’s 2016-17 budgeted revenues projected increased development based inflows and the continued effort by the District’s management and staff to manage current expenditure levels.

For 2016-17, revenues are affected by growth in the local economy, which, in turn, will generate a slight increase in development related revenues, as compared to historical standards.

Including the consumption-based water revenues, anticipated total sources of funds, excluding SNWA charges, were projected to increase over \$4.4 million or 1.2 percent, compared to the 2015-16 adopted budget.

In response to the significant decline in growth related revenues resulting from the slowdown in the local economy beginning in 2009-10, the District's expenditures were significantly reduced through a concerted effort by the District's management and staff. Excluding SNWA related charges, which are passed on to the District's customers and thereby offset with an equal amount of revenue, the District's 2016-17 total uses of funds, as shown in the table below, will increase by 0.7 percent over 2015-16. The primary component driving this increase is higher budgeted capital expenditures due to the necessity to perform a number of high priority production and distribution system asset management projects.

The District's sources of funds were projected to exceed uses by \$0.6 million. Projected sources and uses of funds assumed the District will experience a normal weather pattern in fiscal year 2016-17 and will continue to be affected by water resource conditions in the Colorado River Basin, mandatory watering restrictions, and continued conservation measures. If drought conditions worsen and stricter watering restrictions are implemented, the District's revenue stream could be significantly affected.

For 2016-17, the SNWA charges are anticipated to increase by \$44.2 million, which reflects a significant increase in SNWA connection, commodity and infrastructure charges.

District Reserve Policy

On January 5, 2016, the Board approved a policy for maintaining reserves of cash and investments, consisting of four components in the following order of priority: 180 days of operating and maintenance expenses, one year of maximum annual debt service, one year average of future capital needs and one percent of assets subject to depreciation to mitigate one-time unforeseen infrastructure or major capital equipment failures. As part of the advisory process described earlier in the "Water Rates and Charges" section, the CAC recommended, and the Board subsequently approved, a plan to set the water rates and charges with the objective of achieving these reserve targets within the 10-year planning horizon.

Summary of Operating Revenues, Expenses and Changes in Net Position

Set forth in the following table is a comparative statement of the operating revenues, expenses and changes in net position in the District's Proprietary Enterprise Fund for fiscal years 2013 through 2016. The information in this table has been derived from the District's CAFRs for fiscal years 2013 through 2016 and the 2016-17 adopted budget. The information in this table should be read together with the District's audited basic financial statements for the year ended June 30, 2016, and the accompanying notes, which are attached as Appendix A to this Official Statement. Financial statements for prior years can be obtained from the sources listed in "INTRODUCTION - Additional Information." A summary of the District's significant accounting policies can be found in Note 1 in the audited financial statements attached hereto as Appendix A.

For fiscal year 2016, the District's auditors noted no material weaknesses or significant deficiencies in the District's internal controls over financial reporting. More information is available in the District's CAFR, which is available online or from the sources listed in "INTRODUCTION - Additional Information."

District Summary of Operating Revenues, Expenses and Changes in Net Position

| <u>Fiscal Year Ending June 30,</u> | <u>2013</u> <u>(Actual)</u> | <u>2014</u> <u>(Actual)</u> | <u>2015</u> <u>(Actual)</u> | <u>2016</u> <u>(Actual)</u> | <u>2017</u> <u>(Budget)</u> |
|---|--------------------------------|--------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Operating Revenues | | | | | |
| Water sales ⁽²⁾ | \$332,465,011 | \$333,851,405 | \$331,653,871 | \$334,838,222 | \$339,971,916 |
| Recharged Water Sales ⁽¹⁾ | 317,254 | | - | - | |
| Inspection/Application fees | 1,562,178 | 2,811,054 | 3,612,475 | 2,443,875 | 3,648,690 |
| Springs Preserve | 2,056,183 | 2,254,947 | 2,443,004 | 2,643,382 | 2,467,496 |
| Other Revenues | <u>31,527</u> | <u>30,113</u> | <u>81,075</u> | <u>60,910</u> | <u>-</u> |
| Total Operating Revenues | <u>336,432,153</u> | <u>338,947,519</u> | <u>337,790,425</u> | <u>339,986,389</u> | <u>346,088,102</u> |
| Operating Expenses | | | | | |
| Purchased Water | 83,290,163 | 84,985,143 | 84,918,440 | 87,093,101 | 87,458,203 |
| Purchased Energy | 10,005,417 | 9,718,597 | 11,328,302 | 9,761,793 | 11,777,000 |
| Operation & Maintenance ⁽³⁾ | <u>153,062,894</u> | <u>158,264,499</u> | <u>149,750,677</u> | <u>146,457,928</u> | <u>161,588,970</u> |
| Total Operating Expenses | <u>246,358,474</u> | <u>252,968,239</u> | <u>245,997,419</u> | <u>243,312,822</u> | <u>260,824,173</u> |
| Operating Income Before Depreciation | 90,073,679 | 85,979,280 | 91,793,006 | 96,673,567 | 85,263,929 |
| Depreciation Expense | <u>(83,495,332)</u> | <u>(84,814,023)</u> | <u>(80,750,035)</u> | <u>(81,861,319)</u> | <u>(85,000,000)</u> |
| Operating Income (Loss) | <u>6,578,347</u> | <u>1,165,257</u> | <u>11,042,971</u> | <u>14,812,248</u> | <u>263,929</u> |
| Non-Operating Income (Expense) | | | | | |
| Interest Expense | (36,458,533) | (36,422,644) | (34,632,256) | (28,545,553) | (31,870,956) |
| Interest Income, -Unrestricted | 256,072 | 1,094,644 | 1,265,650 | 2,577,164 | 1,279,036 |
| Interest Income, – Restricted | 235,726 | 381,689 | 248,210 | 202,125 | 250,000 |
| Other ⁽⁴⁾ | <u>(3,908,783)</u> | <u>(3,063,090)</u> | <u>(1,905,908)</u> | <u>702,547</u> | <u>-</u> |
| Total Non-Operating Expense | <u>(39,875,518)</u> | <u>(38,009,401)</u> | <u>(35,024,304)</u> | <u>(25,063,717)</u> | <u>(30,341,920)</u> |
| Loss Before Capital Contributions | (33,297,171) | (36,844,144) | (23,981,333) | (10,251,469) | (30,077,991) |
| Capital Contributions ⁽⁶⁾ | <u>20,191,789</u> | <u>30,695,851</u> | <u>34,526,142</u> | <u>35,847,446</u> | <u>20,000,000</u> |
| Net Income (Loss) | <u>(13,105,382)</u> | <u>(6,148,293)</u> | <u>10,544,809</u> | <u>25,595,977</u> | <u>(10,077,991)</u> |
| Net Position, Beginning of the year as previously reported⁽⁵⁾ | <u>1,067,215,194</u> | <u>1,054,109,812</u> | <u>1,047,961,519</u> | <u>954,674,031</u> | <u>980,270,008</u> |
| Adjustment | <u>--</u> | <u>--</u> | <u>(103,832,297)</u> | <u>--</u> | <u>--</u> |
| Net Position, Beginning of the year as adjusted | <u>1,067,215,194</u> | <u>1,054,109,812</u> | <u>944,129,222⁽⁷⁾</u> | <u>954,674,031</u> | <u>980,270,008</u> |
| Net Position, End of the Year | <u>\$1,054,109,812</u> | <u>\$1,047,961,519</u> | <u>\$954,674,031</u> | <u>\$980,270,008</u> | <u>\$970,192,017</u> |

Footnotes on the following page.

- (1) See Note 1 to the audited financial statements attached hereto as Appendix A for a further description of recharged water.
- (2) These revenues are District only and do not include SNWA pass-through charges.
- (3) In fiscal year 2013, operation and maintenance expenses decreased by \$7.0 million due to decreases in meters and supplies and professional services. In fiscal year 2014, operation and maintenance expenses increased by \$5.2 million due to expensing design fees for reservoir and pumping station projects that are no longer necessary due to the slowdown in growth in southern Nevada. In fiscal year 2015, operation and maintenance expenses decreased by \$8.5 million, due to a decrease in payroll and payroll related expenses resulting primarily from a reduction in workforce that occurred in late fiscal year 2014 and a decrease in purchased services. In fiscal year 2016, operation and maintenance expenses decreased by \$3.3 million primarily from a decrease in materials and supplies expenses.
- (4) Includes net gain (loss) on the disposition of property and equipment, scrap sales and other miscellaneous income.
- (5) Net Position includes the value of all assets attributable to the proprietary fund, not just those acquired during the year presented.
- (6) For a description of the sources of capital contributions, see Note 11 to the financial statements attached hereto as Exhibit A.
- (7) The District adopted GASB Statement No. 68 effective for fiscal year 2015. The cumulative effect of applying the new Statement is reported as a restatement of the beginning unrestricted net position, in the amount of \$103,832,297 as of the beginning of the initial period of implementation.

Source: Derived from the District's basic financial statements for the years ended June 30, 2013 through 2016 and from the District's 2017 adopted budget.

LAS VEGAS VALLEY WATER DISTRICT DEBT STRUCTURE

Debt Limitation

The District has no statutory or constitutional debt limitation. As a practical matter, the District's policy is to pay debt service on its bonds from revenue sources rather than property taxes. Accordingly, the District's ability to issue and pay debt service on bonds issued for the benefit of the District is a function of its capital needs and revenues generated from District facilities. The term "bonds issued by the District for the benefit of the District" does not include bonds such as the 2017B Bonds which are payable from and secured by SNWA Pledged Revenues.

Outstanding Indebtedness

The following table illustrates the District's outstanding general obligation bonds as of February 1, 2017 and takes the issuance of the 2017 Bonds and the 2017 Refunding Project into account.

District Outstanding Indebtedness
As of February 1, 2017

| | Issue Date | Original Amount | Amount Outstanding |
|---|---------------|--------------------|------------------------|
| <u>GENERAL OBLIGATION DISTRICT REVENUE SUPPORTED BONDS⁽¹⁾</u> | | | |
| Parity Lien Obligations | | | |
| Water Improvement and Refunding Bonds, (Series 2008A) ⁽²⁾ | 02/19/08 | \$190,760,000 | \$ 7,790,000 |
| Water Bonds (Taxable BABS), Series 2010A | 06/15/10 | 75,995,000 | 75,995,000 |
| Water Refunding Bonds, Series 2010B | 06/15/10 | 31,075,000 | 28,725,000 |
| Series 2011D, Tax-Exempt Refunding Bonds | 10/19/11 | 78,680,000 | 62,500,000 |
| Water Refunding Bonds, Series 2012A | 09/05/12 | 39,310,000 | 39,310,000 |
| Water Bond, Series 2014 ⁽³⁾ | 12/01/14 | 20,000,000 | 20,000,000 |
| Water Refunding Bonds, Series 2015A | 06/01/15 | 172,430,000 | 160,655,000 |
| Water Refunding Bonds, Series 2016B | 04/06/16 | 108,220,000 | 108,220,000 |
| Water Bonds, Series 2016C ⁽³⁾ | 09/15/16 | 15,000,000 | 15,000,000 |
| Water Bonds, Series 2017 (SRF-Proposed) ⁽³⁾ | | 15,000,000 | 15,000,000 |
| Water Refunding Bonds, Series 2017A (this issue) | 03/07/17 | 129,330,000* | <u>129,330,000*</u> |
| Total Parity Lien Obligations | | | 662,525,000 |
| Subordinate Lien Obligations | | | |
| Adjustable Rate Water Refunding Bonds, Series 2016D | 07/18/16 | 125,650,000 | 125,650,000 |
| Total Subordinate Lien Obligations | | | <u>125,650,000</u> |
| Total District Revenue Supported Bonds | | | 788,175,000 |
| <u>GENERAL OBLIGATION SNWA REVENUE SUPPORTED BONDS⁽⁴⁾</u> | | | |
| <u>MBRA Parity Obligations</u> | | | |
| Refunding Bonds, Series 2008B | 02/19/08 | 171,720,000 | 105,890,000 |
| Water Bonds, Series 2009A (Taxable BABS) | 08/05/09 | 90,000,000 | 90,000,000 |
| Water Bonds, Series 2009B ⁽²⁾ | 08/05/09 | 10,000,000 | 1,230,000 |
| Tax Exempt, Series 2009D ⁽²⁾ | 12/23/09 | 71,965,000 | 44,375,000 |
| Taxable Refunding Bonds, Series 2011A | 05/26/11 | 58,110,000 | 53,755,000 |
| Refunding Bonds, Series 2011B | 10/19/11 | 129,650,000 | 120,430,000 |
| Refunding Bonds, Series 2011C | 10/19/11 | 267,815,000 | 230,940,000 |
| Water Bonds, Series 2012B | 07/31/12 | 360,000,000 | 346,615,000 |
| Refunding Bonds, Series 2015 | 01/13/15 | 332,405,000 | 332,405,000 |
| Refunding Bonds, Series 2015B | 06/01/15 | 177,635,000 | 166,690,000 |
| Refunding Bonds, Series 2015C | 06/18/15 | 42,125,000 | 39,485,000 |
| Water Refunding Bonds, Series 2016A | 04/06/16 | 497,785,000 | 497,785,000 |
| Refunding Bonds, Series 2017B (this issue) | 03/10/17 | 23,435,000* | <u>23,435,000*</u> |
| Total SNWA Parity Obligations | | | 2,053,305,000 |
| MBRA Subordinate Obligations | | | |
| Water Commercial Paper Notes ⁽⁵⁾ | 03/10/04 | 400,000,000 | <u>400,000,000</u> |
| Total SNWA Revenue Supported Bonds | | | <u>2,453,305,000</u> |
| TOTAL OUTSTANDING GENERAL OBLIGATION BONDS | | | 3,241,480,000 |
| <u>Clean Renewable Energy Bond⁽⁶⁾</u> | | | |
| Clean Renewable Energy Bond, Series 2008 | 07/15/08 | 2,520,000 | <u>1,008,000</u> |
| GRAND TOTAL | | | <u>\$3,242,488,000</u> |

Footnotes on the following page.

* Preliminary, subject to change.

-
- (1) District general obligation bonds additionally secured by net pledged revenues. If such revenues are not sufficient, the District may levy an ad valorem tax to pay the difference between such revenues and debt service requirements of the respective bonds.
- (2) Includes the issuance of the 2017 Bonds and the effect of the 2017 Refunding Project.
- (3) The SRF Bonds have been authorized, but not yet completely drawn and/or issued. The anticipated outstanding indebtedness will be approximately \$50 million by the end of fiscal year 2017.
- (4) District general obligation bonds additionally secured by SNWA Pledged Revenues. If such revenues are not sufficient, the District may levy an ad valorem tax to pay the difference between such revenues and debt service requirements of the respective bonds. The Notes are payable from the MBRA Revenues, but are payable after the other bonds in this category.
- (5) The termination date for the credit facilities for the Water Commercial Paper Notes is April 14, 2017. The District expects to replace those facilities on or before their expiration. The Notes are secured by existing credit facilities which provide, and the replacement facilities are expected to provide, that amounts owed to a credit facility provider (a "Provider") to reimburse advances made to pay maturing principal of a Note can, subject to certain conditions, be converted to a term loan. However, the existing facilities provide and the replacement facilities are expected to provide, that upon the occurrence of certain events, term loans will no longer be available and all amounts owed to a Provider are immediately due and payable, but at the same lien priority as debt service on the Notes. Such events include, but are not limited to, failure to pay amounts due to a Provider by the applicable grace period, payment defaults with respect to obligations senior to or on a parity with the Notes, certain rating downgrades and certain litigation, bankruptcy and insolvency related events.
- (6) In July 2008, the District issued the SNWA CREBS to finance the cost of constructing and equipping a solar energy project. The SNWA CREBS are payable from District revenues; the lien of the SNWA CREBS is subordinate to all of the obligations listed under "General Obligation/District Revenue Supported Bonds" in the table above.

Source: The District; compiled by the Financial Advisors.

Other Outstanding Bonds and Obligations

The District is a party to various other agreements and has other obligations outstanding. Certain of those obligations are discussed in Notes 12 and 13 in the audited financial statements attached hereto as Appendix A.

Additional Contemplated Indebtedness

The District may issue general obligation bonds by means of authority granted to it by its electorate or the Legislature or, under certain circumstances, without an election as provided in existing statutes. State law currently provides that general obligation bonds secured by pledged revenues do not require an election if it is determined prior to issuance that the revenues pledged will be sufficient to pay all of the debt service on the proposed bonds unless a petition signed by 5% of the registered voters is filed within a 90-day petition period. The District reserves the privilege of issuing general obligation bonds or other securities, for itself or on behalf of the SNWA, at any time legal requirements are satisfied.

The District does not currently anticipate issuing additional bonds (other than refunding bonds and amounts to be drawn from the State Revolving Fund under its existing authority of \$35,000,000 through calendar year 2017). The District anticipates approval of an additional \$15,000,000 on borrowing authority from the State Revolving Fund.

The District also may issue additional bonds on behalf of the SNWA as described in "SNWA FINANCIAL INFORMATION - SNWA Additional Contemplated Indebtedness."

District Debt Service Requirements

The following table illustrates the annual debt service requirements for the District's outstanding general obligation bonds, all of which are revenue supported, as of February 1, 2017 (without taking the

issuance of the 2017 Bonds and the effect of the 2017 Refunding Project into account). This table does not include debt service attributable to the Notes, but includes debt service on the District's SNWA CREBS.

As indicated in the footnotes to the following table, certain of the District's bonds were issued as BABs. Prior to the 8.7% reduction in the payment of BAB subsidies that went into effect on March 1, 2013 (7.2% as of October 1, 2013, 7.3% as of October 1, 2014, 6.8% as of October 1, 2015 and 6.9% as of October 1, 2015) as a result of federal budget cuts known as "sequestration," the District expected to receive a BAB Credit in an amount equal to 35% of the interest due on those bonds. The District and the SNWA do not expect the current sequester will have a material adverse effect on their ability to pay debt service on the BAB's. However, there is no assurance that the BAB Credit will be received in the future; accordingly, amounts shown in the table below reflect total interest; the amounts are not reduced to reflect applicable BAB Credit amounts. If the BAB Credit is received, the interest payable will be lower.

District Annual Debt Service Requirements⁽¹⁾

| FY Ending June 30 | General Obligation - District | | General Obligation - SNWA | | Grand Total |
|-------------------------|-------------------------------|---------------|-------------------------------|-----------------|-----------------|
| | Revenue-Supported Bonds(2)(3) | | Revenue-Supported Bonds(2)(4) | | |
| | Principal | Interest | Principal | Interest | |
| 2017 | \$ 24,285,586 | \$ 13,002,599 | \$ 48,780,000 | \$ 50,694,862 | \$ 136,763,047 |
| 2018 | 30,831,839 | 33,003,261 | 70,203,000 | 99,032,313 | 233,070,413 |
| 2019 | 32,760,018 | 33,422,662 | 73,813,000 | 96,040,279 | 236,035,959 |
| 2020 | 34,656,419 | 32,148,201 | 77,128,000 | 92,716,922 | 236,649,542 |
| 2021 | 36,304,135 | 30,605,285 | 82,818,000 | 89,135,195 | 238,862,615 |
| 2022 | 38,093,344 | 28,947,326 | 87,098,000 | 85,281,232 | 239,419,902 |
| 2023 | 39,949,084 | 27,212,686 | 91,628,000 | 81,021,996 | 239,811,766 |
| 2024 | 41,916,395 | 25,385,625 | 95,885,000 | 76,601,200 | 239,788,220 |
| 2025 | 43,975,318 | 23,467,252 | 91,065,000 | 71,916,210 | 230,423,780 |
| 2026 | 46,090,894 | 21,508,337 | 95,715,000 | 67,181,506 | 230,495,737 |
| 2027 | 39,248,167 | 19,379,178 | 89,670,000 | 62,407,834 | 210,705,179 |
| 2028 | 32,597,179 | 17,597,759 | 56,245,000 | 58,344,813 | 164,784,751 |
| 2029 | 34,167,977 | 16,156,244 | 45,755,000 | 55,850,025 | 151,929,246 |
| 2030 | 35,815,605 | 14,643,085 | 47,075,000 | 53,589,050 | 151,122,740 |
| 2031 | 37,545,113 | 13,054,524 | 38,300,000 | 51,230,525 | 140,130,162 |
| 2032 | 39,366,547 | 11,385,845 | 56,690,000 | 49,324,700 | 156,767,092 |
| 2033 | 32,204,958 | 9,632,964 | 73,165,000 | 46,488,250 | 161,491,172 |
| 2034 | 33,750,398 | 8,246,972 | 76,815,000 | 42,795,980 | 161,608,350 |
| 2035 | 35,387,918 | 6,790,772 | 80,605,000 | 38,958,480 | 161,742,170 |
| 2036 | 35,718,628 | 5,271,045 | 84,550,000 | 34,977,055 | 160,516,728 |
| 2037 | 17,699,478 | 3,707,081 | 88,675,000 | 30,800,900 | 140,882,459 |
| 2038 | 17,555,000 | 2,826,975 | 117,500,000 | 26,421,110 | 164,303,085 |
| 2039 | 16,390,000 | 1,921,755 | 144,500,000 | 20,095,840 | 182,907,595 |
| 2040 | 17,325,000 | 987,525 | 42,160,000 | 11,836,350 | 72,308,875 |
| 2041 | 0 | 0 | 44,205,000 | 9,788,000 | 53,993,000 |
| 2042 | 0 | 0 | 46,355,000 | 7,640,150 | 53,995,150 |
| 2043 | 0 | 0 | 25,000,000 | 5,387,750 | 30,387,750 |
| 2044 | 0 | 0 | 26,250,000 | 4,137,750 | 30,387,750 |
| 2045 | 0 | 0 | 27,565,000 | 2,825,250 | 30,390,250 |
| 2046 | 0 | 0 | 28,940,000 | 1,447,000 | 30,387,000 |
| | | 0 | | | |
| Total | \$793,635,000 | \$400,304,958 | \$2,054,153,000 | \$1,423,968,527 | \$4,672,061,485 |

Footnotes on the following page.

- (1) Totals may not add due to rounding. Does not include debt service on the Notes.
- (2) District general obligation bonds additionally secured by District net pledged revenues. If such revenues are not sufficient, the District may levy an ad valorem tax to pay the difference between such revenues and debt service requirements of the respective bonds. The District's 2010A Bonds were issued as BABs; the amounts shown are not reduced to reflect applicable BAB Credit amounts.
- (3) Includes estimated debt service on the District's subordinate lien 2016D Bonds in the aggregate principal amount of \$125,650,000, with an assumed sinking fund schedule and interest estimated at 1% for fiscal year 2017, 2% for fiscal year 2018 and 3% for fiscal years 2019 through 2036. However, the interest rate on the 2016D Bonds will vary and if the average annual rate of interest exceeds the interest rates indicated above in any one year, the interest paid will be higher than the amounts shown here. Also, includes the estimated debt service on the 2014, 2016, and 2017 Water SRF Bonds in the aggregate principal amount of \$50,000,000 with an estimated interest rate of 2.57%. Does not include the 2017A Bonds and the effect of the 2017A Refunding Project.
- (4) District general obligation bonds additionally secured by SNWA Pledged Revenues. If such revenues are not sufficient, the District may levy an ad valorem tax to pay the difference between such revenues and debt service requirements of the respective bonds. The District's 2009A Bonds were issued as BABs; the amounts shown are not reduced to reflect applicable BAB Credit amounts. Does not include the issuance of the 2017B Bonds and the effect of the 2017B Refunding Project.

Source: Compiled by the Financial Advisors.

SOUTHERN NEVADA WATER AUTHORITY

General

On July 25, 1991, the Members (City of Boulder City, City of Henderson, City of Las Vegas, the District, City of North Las Vegas, the Big Bend Water District and the Clark County Water Reclamation District) formed the SNWA as a regional water agency pursuant to NRS Chapter 277 and the Cooperative Agreement. SNWA addresses water resource management and water conservation on a regional basis and is the agency charged with planning, managing and developing additional supplies of water for southern Nevada.

The SNWA is governed by a seven-member board of directors, composed of one director from each member agency (the "SNWA Board"). SNWA Board members serve at the will of the appointing Member. Current members of the SNWA Board are as follows:

| <u>Name and Title</u> | <u>Representing</u> | <u>Elected Position</u> |
|-------------------------------|---|-----------------------------------|
| Mary Beth Scow, Chairwoman | Las Vegas Valley Water District | Clark County Commissioner |
| John F. Marz | City of Henderson | Henderson City Councilman |
| Bob Coffin | City of Las Vegas | Las Vegas City Councilman |
| Marilyn Kirkpatrick | Clark County Water Reclamation District | Clark County Commissioner |
| Duncan McCoy | City of Boulder City | Boulder City City Councilman |
| Steve Sisolak | Big Bend Water District | Clark County Commissioner |
| Anita Wood | City of North Las Vegas | North Las Vegas City Councilwoman |

The District acts as the SNWA's operating agent and, pursuant to annual appointment, the District's General Manager currently acts as the General Manager for the SNWA. The SNWA has no employees; the District provides all employees and operations for the SNWA. The SNWA pays the District for the costs of providing the employees and operations in an amount equal to the costs of the services provided, and is responsible for a proportionate share of the District's pension liability. The District adopted GASB Statement No. 68 effective for fiscal year 2015. The cumulative effect of applying the new Statement by the District is reported as a restatement of the beginning net position as of the beginning of the initial period of implementation, the SNWA has recorded its corresponding liability in the same manner as set forth below.

| | |
|--|------------------------|
| Beginning net position as previously reported at June 30, 2014 | \$1,529,385,937 |
| Prior period adjustment – District implementation of GABS Statement No. 68 | <u>(62,506,887)</u> |
| Net position as restated, July 1, 2014 | <u>\$1,466,879,050</u> |

Funding Sources

To meet its debt service requirements and to provide funds for the costs of operation and maintenance of the SNWS, the SNWA entered into the Operations Agreement with its purveyor members. The Operations Agreement requires that the purveyor members reimburse the SNWA for all operation and maintenance expenses (excluding depreciation), debt service and reserve requirements of the SNWS.

The Operations Agreement permits the SNWA Board to establish rates and charges for operating and capital budgets and for the satisfaction of its liabilities (described below). For fiscal year 2015-16, charges for the SNWA operations and capital budget were apportioned among the purveyor members as follows:

| <u>Member⁽¹⁾</u> | <u>Percent of Revenues</u> | <u>2015-16 Revenues (in millions)</u> |
|---------------------------------|--------------------------------|---|
| Las Vegas Valley Water District | 69.6% | \$250.3 |
| City of Henderson | 17.0% | 60.9 |
| City of North Las Vegas | 11.1% | 40.0 |
| City of Boulder City | 2.1% | 7.5 |
| Others ⁽²⁾ | <u>0.2%</u> | <u>0.6</u> |
| Total | 100.0% | \$359.3 |

(1) See "SOUTHERN NEVADA WATER AUTHORITY – The Operations Agreement – Optional Steps-Up Charges," herein for a description of the SNWA's right to apportion delinquencies to other purveyor members.

(2) Includes the Nellis Air Force Base, the City of Las Vegas and the Clark County Water Reclamation District.

Allocation of SNWA Water Revenues

In the 1995 Legislative session, the Legislature enacted the Transfer Act which transferred certain rights, powers, obligations and liabilities relating to the SNWS from the State and CRC to the SNWA effective January 1, 1996. Pursuant to the Transfer Act, the SNWA holds in its own name and assumes all liabilities of the State and the CRC relating to the SNWS. The debt of the CRC related to the SNWS is composed of general obligation bonds of the State (see "SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations") which are additionally secured by the SNWA Water Revenues which is superior to the lien thereon of the 2017B Bonds. The SNWA has obtained title to all SNWS facilities originally constructed by the federal government.

Section 3 of the Transfer Act provides that the SNWA Water Revenues (as defined herein) must be applied in the following order generally:

- (1) the costs of operation and maintenance of the SNWS.
- (2) the payment of compensation and expenses to the SNWA and all other obligations incurred through performance by the SNWA of its duties under the Transfer Act, including the CRC's general obligation bonds issued prior to January 1, 1996 (no CRC general obligation bonds issued prior to January 1, 1996 remain outstanding).
- (3) the payment of the principal, interest and any other charges related to any obligations incurred to refund any general obligations of the State issued for the acquisition, construction, improvement or equipment of the SNWS, presently outstanding in the aggregate principal amount of \$4,460,000.
- (4) the payment of the principal, interest and any other charges related to any obligations incurred by the SNWA for the acquisition, construction, improvement or equipment of the SNWS or other facilities designed to provide water to southern Nevada, including: (i) any Outstanding SNWA revenue bonds; (ii) obligations to the District and the State to repay money borrowed by SNWA to provide funds to improve the SNWS; and (iii) any obligations incurred to refund any of those obligations (collectively, the "SNWA Obligations"). See "SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations" below.
- (5) the payment of expenses incurred by the SNWA related to the acquisition, construction, improvement or equipment of the SNWS or other facilities designed to provide water to southern Nevada.

The Operations Agreement

The following is a brief description of the Operations Agreement. The SNWA is obligated to impose rates and charges with respect to the use of the SNWS, together with funds legally available for such purpose, sufficient to pay the 2017B Bonds and all other SNWA obligations. However, the Operations Agreement may be amended, modified and/or repealed in any or all respects at any time in accordance with its terms.

Charges. Under the Operations Agreement, the SNWA establishes, revises as necessary, and uses every reasonable effort to collect charges, which in the aggregate, will have the purpose of funding, and will be set at levels sufficient to fund (i) reserves authorized or required by the Operations Agreement or required by any bond or other debt instrument for which the SNWA is responsible, directly or indirectly, relating to the SNWS and (ii) the payment when due of all costs, expenses, capital outlays not otherwise funded, and liabilities including debt service of the SNWA relating to the SNWS.

The SNWA currently assesses five types of charges: (1) a Wholesale Delivery Charge, (2) a Regional Connection Charge, (3) a Regional Commodity Charge, (4) a Reliability Surcharge and (5) a Regional Infrastructure Charge. The Wholesale Delivery Charge is a delivery charge to be paid by Boulder City, Henderson, North Las Vegas and the District for each acre-foot of water delivered to the purveyor member; Nellis Air Force Base also pays a modified Wholesale Delivery Charge. The Connection Charge is a charge for each new connection within the service areas of Henderson, North Las Vegas, and the District. The Commodity Charge is a charge for each 1,000 gallons of potable water, from any source whatsoever, delivered and metered by the City of Henderson, the City of North Las Vegas and the District to their customers. Reliability Surcharge is a surcharge on all residential customers at a rate of 0.25% of the total water bill and at a rate of 2.5% for all other customer classes. The Regional

Infrastructure Charge varies based on meter size and is collected by each purveyor member and remitted to the SNWA monthly.

The Regional Connection Charge, the Regional Commodity Charge, the Reliability Surcharge, the Regional Infrastructure Charge and certain payments due from Boulder City are to be used primarily to pay debt service on bonds issued for expansion of the SNWS ("New Expansion Debt"), debt service on the obligations listed as "SNWA Parity Obligations" and "Subordinate Obligations" in the table entitled "SNWA Obligations" below and "SNWA FINANCIAL INFORMATION - Outstanding SNWA Obligations", and any required debt service reserve and to pay the capital cost of improvements or expansions to the SNWS. The SNWA is required to set the Connection Charge and Commodity Charge at levels at least sufficient to ensure that the SNWA will at all times have available sufficient funds for the purposes described above. To the maximum extent practicable the Connection Charge and the Commodity Charge shall be set (after taking into account the amount of other resources including proceeds of the sales tax and the Reliability Surcharge then available) at levels with respect to each other so that over the total period during which New Expansion Debt is amortized (but not necessarily in any particular fiscal year): (i) the Connection Charge shall pay that portion of the total cost of construction of facilities to improve and expand the SNWS, including debt service, which is substantially the same as the percentage of additional capacity that has been allocated to service new connections within the service area of the purveyor members and (ii) the Commodity Charge shall pay that portion of the total cost of construction of facilities to improve and expand the SNWS, including debt service, which is substantially the same as the percentage of additional capacity that has been allocated to increase system reliability.

If revenues from the Connection Charge and Commodity Charge, and, to the extent not required to be maintained at a specified level by any debt instrument, funds in the new expansion debt service reserve fund established under the Facilities and Operation Agreement are insufficient for payment of debt service, the SNWA is required to equitably make assessments to Henderson, North Las Vegas and the District to pay such insufficiencies.

The Wholesale Delivery Charge is to be charged against the purveyor members and is to be used for the purpose of providing, and set at levels to ensure that the SNWA at all times will have available sufficient funds to pay, the following: (1) operation, maintenance, and replacement costs of the SNWS, including water delivery and other charges of the United States; (2) capital outlays not related to the improvement or expansion of the SNWS; (3) the SNWA administrative expenses relating to the SNWS; (4) an appropriate part of the SNWA's contribution to the CRC's water administrative and operating budget; (6) maintenance of an operations and maintenance reserve fund at required levels; (7) debt service on any bonds or other obligations issued for the purpose of funding the repair, replacement, or reconstruction of SNWS facilities or to refund any such bonds or other obligations; and (8) any other cost, expense, capital outlay, or liability of the SNWA with respect to the SNWS, including liabilities of the CRC assumed by the SNWA pursuant to the Transfer Act, other than New Expansion Debt.

Optional Step-Up Charges. If any purveyor member is delinquent for more than 60 days in making payment to the SNWA of any amount due as a Regional Connection Charge, Regional Commodity Charge, Regional Infrastructure Charge, or Wholesale Delivery Charge, or Boulder City is delinquent for more than 60 days in making payments to the SNWA under the Facilities and Operations Agreement, and the SNWA has determined that, as a result of such delinquency, either default in the payment of any debt service will occur within the next 90 days or reserve funds required to be maintained under any debt instrument will be depleted below the required level within the next 90 days, then the SNWA shall have the right, but not the obligation, to immediately require the payment of such delinquency by the other purveyor members. Such delinquency shall be apportioned proportionate to the liability of such purveyor members for such charge during the preceding month. In no event, however, shall the delinquency apportioned to a purveyor member with respect to any of the Connection Charge, Commodity Charge, or Wholesale Delivery Charge for any period of delinquency be greater in amount than 100% of the amount of such charge the purveyor member is otherwise required to pay with respect to

such period. Such purveyor members are required to pay any such step-up charges assessed within 45 days of billing. The SNWA may continue to apportion such delinquencies to purveyor members for so long as a delinquency by a purveyor member of more than 60 days continues to exist.

Withholding of Water Deliveries; Late Charges. The SNWA may, but is not required to, withhold in whole or in part delivery of water to any purveyor member that is delinquent in the payment of any charges or other amounts payable to the SNWA under the Operations Agreement, for more than 90 days after such payment was due. The SNWA shall have the right to establish late charges to be paid by a purveyor member which is delinquent by more than 60 days in any charge or other payment due under the Operations Agreement.

Automatic Assignment of Connection Charges. If any of Henderson, North Las Vegas, or the District is delinquent for more than 60 days in making payment to the SNWA of any Connection Charges due under the Operations Agreement, such delinquent purveyor member without any further notice or demand by the SNWA, has assigned and transferred to the SNWA all connection fees and charges, tap fees, and similar fees and charges (the "Assigned Fees"), if any, payable to the delinquent purveyor member by each customer whose connection gives rise to a Connection Charge under the Operations Agreement, together with the right, power, and authority to collect all such Assigned Fees directly from such customer. The SNWA shall be entitled to retain all such Assigned Fees and shall credit them to the delinquent Connection Charge, any late charge assessed by the SNWA, interest due on the delinquent Connection Charge, and all of the costs and expenses incurred by the SNWA in collecting the Assigned Fees.

SNWA FINANCIAL INFORMATION

Annual Reports

The SNWA prepares a CAFR setting forth the financial condition of the SNWA as of June 30 of each fiscal year. The latest completed report is for the year ended June 30, 2016. The CAFR is the official financial report of the SNWA. It was prepared in accordance with GAAP. The SNWA's audited basic financial statements for fiscal year ended June 30, 2016, which are included in SNWA's CAFR, are attached to this Official Statement as Appendix B.

Budgeting

General. Prior to April 15 of each year, the SNWA submits to the State Department of Taxation the tentative budget for the next fiscal year, which commences on July 1. The tentative budget contains the proposed expenditures and means of financing them. After reviewing the tentative budget, the State Department of Taxation is required to notify the SNWA upon its acceptance of the budget.

Following acceptance of the proposed budget by the State Department of Taxation, the SNWA Board is required to conduct public hearings on the third Thursday in May. The SNWA Board is required to adopt the final budget on or before June 1. The SNWA management is authorized to transfer budgeted amounts within functions, but any other transfers must be approved by the SNWA Board.

Fiscal Year 2016-17 Budget Considerations. The SNWA submitted its fiscal year 2017 Tentative Budget to the State on April 15, 2016, and held a public hearing on the budget (followed by approval of a Final Budget) on May 19, 2016. For the 2016-17 budget, non-payroll operating expenses are budgeted to increase \$12,564,614 (34.30%). This increase is due to higher projected costs in materials, supplies, maintenance, and repairs. Payroll costs are budgeted to increase by \$4,845,621 (7.27%). This increase is due to cost of living adjustments, merit increase, and additional staff. Capital expenditures are budgeted to decrease by \$68,120,826 (23.70%). The decrease is primarily attributable to the completion of the

third intake tunnel and reduced projected costs towards the construction of the low lake level pumping station.

The Major Construction and Capital Plan (the “MCCP”) remains in place and consolidates all capital projects of the previous Capital Improvements Plan (CIP). “SOUTHERN NEVADA WATER SYSTEM - Capital Improvement Funding Plan” for a further description of Intake No. 3.

SNWA Water Revenues. Since the formation of the SNWA, its financial model has included provisions for the establishment and maintenance of substantial unrestricted fund balances. On January 21, 2016, the SNWA Board approved a policy for maintaining reserves of cash and investments, consisting of four components in the following order of priority: 180 days of operating and maintenance expenses, one year of maximum annual debt service, one year average of future capital needs and one percent of assets subject to depreciation to mitigate one-time unforeseen infrastructure or major capital equipment failures.

As illustrated in the table entitled “SNWA Summary of Operating Revenues, Expenses and Changes in Net Position” herein, the SNWA has relied on contributions from its Members to fund its operations. The advent of the Regional Infrastructure Charge in April 2012 and an overall increase in capital contributions revenue has contributed to an increase in unrestricted fund balance. Unrestricted fund balance was approximately \$422.7 million at the end of fiscal year 2016 compared to approximately \$376.5 million at the end of fiscal 2015. The SNWA management has stated that its policy is to expend fund balance for its intended purpose (i.e., to continue SNWA operations and capital expenditures during reduced revenue periods) as reasonably necessary, but also to preserve fund balance to the extent possible.

Current SNWA financial estimates reflect that Regional Connection Charges should steadily increase for the foreseeable future (increasing from approximately \$22.9 million in fiscal year 2013 to \$63.8 million for fiscal year 2016). Capital revenues consist of Regional Connection Charges, Regional Water Charges, and/or Regional Infrastructure Charges. The fiscal year 2016-17 final budget (and internal SNWA forecasting) projects that the SNWA’s unrestricted ending fund balance is expected to increase by approximately \$32.1 million (to \$454.8 million) by the end of fiscal year 2017. These figures will change if the SNWA implements any additional rate increases in future years. *Investors are cautioned, however, that the financial estimates discussed in this paragraph are based upon economic and financial assumptions that may not be realized. See “INTRODUCTION--Forward-Looking Statements.”*

Advisory Committee Recommendations. On April 19, 2012, the SNWA Board established the Integrated Resource Planning Advisory Committee (IRPAC) to consider the interrelated aspects of many water issues and to develop formal recommendations for SNWA Board’s consideration. The IRPAC, which consisted of a cross section of residential and non-residential representatives, reviewed the following issues -- resource development and management, construction and maintenance of facilities, funding, planning, conservation, and water quality. On September 26, 2013, the SNWA Board adopted the IRPAC Recommendations Report, Phase I, Funding Sources (“IRPAC Phase I Report”). Recommendation 6 of the IRPAC Phase I Report provided that the SNWA should “separate money added to the New Expansion Debt Service fund and related interest attributed to the 2014 and 2015 phased-in rates from the remainder of the fund balance and use it only to offset forecasted operating deficits in 2016 to 2021 and not for any other purposes.” Recommendation 8 of the IRPAC Phase I Report states “If funds in excess of the target fund balance remain in the New Expansion Debt Service fund (not including phased-in revenue) use the excess for any of the following purposes: to redeem outstanding bonds...; to acquire capital assets that would otherwise need to be funded with borrowed money...; to moderate the impact of future rate increases; or to reduce water rates.” On December 10, 2014, the SNWA Board approved the IRPAC Recommendations Report, Phase II: Resources and Facilities (the “IRPAC Phase II Report”), which included increases to the Regional Infrastructure Charge as well as the design and

construction of the low lake level water pumping station. The IRPAC Phase I increases affected the Regional Infrastructure Charge and the Regional Commodity Charge, while the IRPAC Phase II increases affected only the Regional Infrastructure Charge. The IRPAC Phase I increases approved in 2013 will be fully phased in through 2017. The IRPAC Phase II increases will be phased in over three years beginning in 2016.

Summary of Operating Revenues, Expenses and Changes in Net Position

General. Set forth in the table on the following page is a comparative statement of the operating revenues, expenses and changes in net position for the SNWA's Proprietary Enterprise Fund for fiscal years 2013 through fiscal year 2016.

The information in this table should be read together with the SNWA's audited basic financial statements for the fiscal year ended June 30, 2016, and the accompanying notes, which are attached to this Official Statement as Appendix B. Financial statements for prior fiscal years can be obtained from the sources listed in "INTRODUCTION - Additional Information." A summary of the SNWA's significant accounting policies can be found in Note 1 in the audited financial statements attached hereto as Appendix B.

SNWA Summary of Operating Revenues, Expenses and Changes In Net Position

| <u>Fiscal Year Ending June 30</u> | <u>2013 (Actual)</u> | <u>2014 (Actual)</u> | <u>2015 (Actual)</u> | <u>2016 (Actual)</u> | <u>2017 (Budget)</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Operating Revenues | | | | | |
| Wholesale Delivery Charges | \$117,534,578 | \$121,045,154 | \$121,100,263 | \$125,054,059 | \$122,759,977 |
| Groundwater Management Fees | 863,417 | 842,191 | 882,331 | 928,893 | 873,661 |
| Administration Costs Recoveries | 383,443 | 425,765 | 472,786 | 551,852 | 459,920 |
| Las Vegas Wash Revenues | 397,708 | 397,408 | 404,578 | 411,893 | 416,715 |
| Other Revenues ⁽¹⁾ | <u>3,525,867</u> | <u>3,843,389</u> | <u>3,538,758</u> | <u>49,201,788</u> | <u>83,153,404</u> |
| Total Operating Revenues | <u>122,705,013</u> | <u>126,553,907</u> | <u>126,398,716</u> | <u>176,148,485</u> | <u>207,663,677</u> |
| Operating Expenses | | | | | |
| Personnel and Related | 43,880,414 | 50,216,887 | 49,951,688 | 56,252,596 | 47,415,116 |
| Energy ⁽²⁾ | 36,347,165 | 53,409,820 | 35,071,725 | 39,333,766 | 38,008,556 |
| Operating and Maintenance | <u>27,943,415</u> | <u>34,483,860</u> | <u>42,471,373</u> | <u>39,349,790</u> | <u>49,192,884</u> |
| Total Operating Expenses | <u>108,170,994</u> | <u>138,110,567</u> | <u>127,494,786</u> | <u>134,936,152</u> | <u>134,616,556</u> |
| Operating Income (Loss) | 14,534,019 | (11,556,660) | (1,096,070) | 41,212,333 | 73,047,121 |
| Depreciation Expense | <u>(74,943,316)</u> | <u>(75,853,379)</u> | <u>(75,774,807)</u> | <u>(90,824,289)</u> | <u>(80,000,000)</u> |
| Operating Loss | <u>(60,409,297)</u> | <u>(87,410,039)</u> | <u>(76,870,877)</u> | <u>(49,611,956)</u> | <u>(6,952,879)</u> |
| Non-operating Revenues (Expenses) | | | | | |
| Investment Income | 740,407 | 2,309,538 | 1,592,657 | 3,852,256 | 1,477,234 |
| Interest Expense (Net of BAB Subsidy) | (53,694,055) | (45,253,209) | (54,939,795) | (134,359,904) | (121,753,319) |
| Amortization of Refunding Costs | (2,926,272) | (2,921,604) | (3,492,409) | (4,581,254) | -- |
| Bond Issue and Commercial Paper Costs | (5,606,185) | (3,314,554) | (3,299,596) | (4,378,509) | -- |
| Amortization of Bond Premiums and Discounts | 3,291,755 | 3,780,080 | 4,868,091 | 10,008,610 | -- |
| Other | <u>63,295</u> | <u>44,132</u> | <u>94,294</u> | <u>198,903</u> | <u>--</u> |
| Total Non-operating Revenues (Expenses) | <u>(58,131,055)</u> | <u>(45,355,617)</u> | <u>(55,176,758)</u> | <u>(129,259,898)</u> | <u>(120,276,085)</u> |
| Loss Before Capital Contribution | (118,540,352) | (132,765,656) | (132,047,635) | (178,871,854) | (127,228,964) |
| Capital Contributions ⁽³⁾ | <u>205,919,057</u> | <u>237,839,036</u> | <u>281,927,406</u> | <u>300,691,026</u> | <u>345,135,626</u> |
| Change in Net Position | <u>87,378,705</u> | <u>105,073,380</u> | <u>149,879,771</u> | <u>121,819,172</u> | <u>217,906,662</u> |
| Net Position-Beginning of Year⁽⁴⁾ | <u>1,336,933,852</u> | <u>1,424,312,557</u> | <u>1,529,385,937</u> | <u>1,616,758,821</u> | <u>1,738,577,933</u> |
| Adjustment⁽⁵⁾ | <u>--</u> | <u>--</u> | <u>(62,506,887)</u> | <u>--</u> | <u>--</u> |
| Net Position-End of Year⁽⁵⁾ | <u>\$1,424,312,557</u> | <u>\$1,529,385,937</u> | <u>\$1,616,758,821</u> | <u>\$1,738,577,993</u> | <u>\$1,956,484,655</u> |

Footnotes on the following page.

- (1) In fiscal year 2016 the SNWA had a one-time sale of water to the Metropolitan Water District of Southern California in the amount of \$44.4 million. The SNWA is expecting the sale of its interests in the Silverhawk Power Generation Station in May 2017 in the amount of \$77 million.
- (2) Energy costs change due to changes in energy demand related to pumping requirements, market pricing, transmission costs, and contract termination fees.
- (3) Includes Regional Connection Charge, Regional Commodity Charge, Regional Infrastructure Charge and Regional Reliability Charge as well as other revenue sources described in “SOUTHERN NEVADA WATER SYSTEM--Capital Improvement Funding Plan,” including certain sales tax revenues. See Note 17 to the Basic Financial Statements in APPENDIX B for a description of the capital contributions.
- (4) Net Position includes the value of all assets attributable to the proprietary fund, not just those acquired during the year presented.
- (5) Fiscal year 2015 was restated due to the implementation of GASB Statement No. 68 by the District. The SNWA was not required to implement GASB 68 because the SNWA has no employees of its own but the SNWA booked its share of the liability from the District’s implementation of GASB 68.

Source: The information for the SNWA’s fiscal years ending 2013-2016 was derived from the SNWA’s audited financial statements for fiscal years 2013-2016. The information for fiscal year 2017 was derived from the SNWA’s fiscal year 2017 budget.

Outstanding SNWA Obligations

General. The SNWA may issue bonds or enter into interlocal agreements with other governments pursuant to which bonds are issued for the benefit of the SNWA and the payment of which is the responsibility of the SNWA. The SNWA has issued bonds through or entered into such interlocal agreements with the District, the County (which loans money to the SNWA through its bond bank) and the State (which also loans money to the SNWA through its bond bank). These obligations are payable from the SNWA Water Revenues, or specified portions thereof. Generally, the SNWA Water Revenues are those revenues received by the SNWA from its operation of the SNWS including, without limitation, water revenues received by the SNWA from the purveyor members pursuant to the Operations Agreement (the “SNWA Water Revenues”).

Currently Outstanding SNWA Obligations. The following table illustrates the SNWA’s outstanding long-term obligations as of February 1, 2017. The lien priority of the various obligations is described in “INTRODUCTION - Security” and “SECURITY FOR THE 2017B BONDS - SNWA Pledged Revenues.”

SNWA Obligations

| | <u>Issue Date</u> | <u>Original Amount</u> | <u>Principal Outstanding</u> |
|---|-----------------------|----------------------------|----------------------------------|
| <u>SUPERIOR OBLIGATIONS</u>⁽¹⁾ | | | |
| State of Nevada Refunding Bonds, Series 2010B | 06/24/10 | \$ 7,405,000 | <u>\$ 4,460,000</u> |
| Total Superior Obligations | | | 4,460,000 |
| PARITY OBLIGATIONS | | | |
| <u>MBRA Parity Obligations</u>⁽²⁾ | | | |
| LVVWD Refunding Bonds, Series 2008B | 02/19/08 | 171,720,000 | 105,890,000 |
| LVVWD Water Bonds, Series 2009A (Taxable BABs) | 08/05/09 | 90,000,000 | 90,000,000 |
| LVVWD Water Bonds, Series 2009B ⁽³⁾ | 08/05/09 | 10,000,000 | 1,230,000 |
| LVVWD Water Refunding Bonds, Series 2009D ⁽³⁾ | 12/23/09 | 71,965,000 | 44,375,000 |
| LVVWD Refunding Bonds (Taxable), Series 2011A | 05/26/11 | 58,110,000 | 53,755,000 |
| LVVWD Refunding Bonds, Series 2011B | 10/19/11 | 129,650,000 | 120,430,000 |
| LVVWD Refunding Bonds, Series 2011C | 10/19/11 | 267,815,000 | 230,940,000 |
| LVVWD Water Bonds, Series 2012B | 07/31/12 | 360,000,000 | 346,615,000 |
| LVVWD Water Refunding Bonds, Series 2015 | 01/13/15 | 332,405,000 | 332,405,000 |
| LVVWD Water Refunding Bonds, Series 2015B | 06/01/15 | 177,635,000 | 166,960,000 |
| LVVWD Water Refunding Bonds, Series 2015C | 06/18/15 | 42,125,000 | 39,485,000 |
| LVVWD Water Improvement and Refunding Bonds, Series 2016A | 04/04/16 | 497,785,000 | 497,785,000 |
| LVVWD Water Refunding Bonds, Series 2017B (this issue) | 03/07/17 | 23,435,000* | <u>23,435,000*</u> |
| Total MBRA Parity Obligations | | | 2,053,305,000 |
| LVVWD Commercial Paper Notes ⁽⁴⁾ | various | 400,000,000 | <u>400,000,000</u> |
| Total MBRA Obligations | | | 2,453,305,000 |
| <u>SNWA Parity Obligations</u>⁽⁵⁾ | | | |
| Clark County Water Revenue Bond, Series 2006 | 11/02/06 | 604,140,000 | 69,545,000 |
| Clark County Water Revenue Bonds, Series 2008 ⁽⁶⁾ | 07/02/08 | 400,000,000 | 18,815,000 |
| Clark County Revenue Refunding Bond, Series 2009 | 11/10/09 | 50,000,000 | 42,335,000 |
| Clark County Revenue Refunding Bonds, Series 2012 | 06/20/12 | 85,015,000 | 79,515,000 |
| Clark County Revenue Refunding Bonds, Series 2016A | 03/03/16 | 263,955,000 | 250,200,000 |
| Clark County Revenue Refunding Bonds, Series 2016B | 08/03/16 | 271,670,000 | 271,670,000 |
| Clark County Refunding Bonds, Series 2017 (Proposed) ⁽⁶⁾ | 03/22/17 | 367,310,000 | <u>367,310,000</u> |
| Total SNWA Parity Obligations | | | 1,099,390,000 |
| <u>SUBORDINATE OBLIGATIONS</u>⁽⁷⁾ | | | |
| State of Nevada Safe Drinking Water Loan #1 | 09/01/99 | 12,269,695 | 2,443,330 |
| State of Nevada Safe Drinking Water Loan #2 | 06/29/01 | 10,000,000 | 2,881,305 |
| SNWA Water Revenue Bonds, Series 2009 (State of Nevada) | 12/11/09 | 2,214,457 | 1,581,755 |
| SNWA Water Revenue Refunding Bonds, Series 2013A (State Bond Bank) | 01/29/13 | 21,720,000 | <u>21,720,000</u> |
| Total Subordinate Obligations | | | 28,626,390 |
| <u>OTHER SUBORDINATE REVENUE OBLIGATIONS</u>⁽⁸⁾ | | | |
| Subordinate Lien Revenue Bond (Clean Renewable Energy), Series 2008 | 07/30/08 | 6,900,000 | <u>2,760,000</u> |
| Total Outstanding SNWA Obligations | | | <u>\$3,554,831,390</u> |

Footnotes on the following page.

*Totals may not add due to rounding.

* Preliminary, subject to change.

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- (1) Payable from the SNWA Water Revenues prior to any payments under the MBRA. No SNWA Water Revenues become subject to the MBRA until all SNWA operation and maintenance expenses and all obligations with respect to the SNWA Superior Obligations are satisfied.
 - (2) SNWA Water Revenues are available to fund the MBRA after the SNWA Superior Obligations are paid.
 - (3) Takes into account the issuance of the 2017B Bonds and the effect of the 2017B Refunding Project.
 - (4) Payable from the SNWA Pledged Revenues after payment of the MBRA Parity Obligations. The District is authorized to have a maximum of \$400,000,000 in Notes outstanding at any time; all of which are outstanding. See footnote (5) on page 55 with respect to the credit facilities for the Notes.
 - (5) The SNWA Parity Obligations are not payable from the MBRA, but do have a lien on the SNWA Water Revenues that is on a parity with the lien thereon of the MBRA.
 - (6) The Clark County General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues), Series 2017 are anticipated to close on March 22, 2017 and will refund a portion of the Clark County Water Revenue Bonds, Series 2008.
 - (7) Payable from SNWA Water Revenues after payment of the SNWA Parity Obligations.
 - (8) The SNWA CREBs have a lien on the SNWA Water Revenues that is subordinate to the lien thereon of the MBRA and the SNWA Parity Obligations and on a parity with the obligations listed as “Subordinate Obligations” in the table above. The CREBs also are secured with a lien on the quarter-cent Sales Tax (discussed in “SOUTHERN NEVADA WATER SYSTEM--Capital Improvement Funding Plan - The CIP” below).

Source: Southern Nevada Water Authority; compiled by the Financial Advisors.

SNWA Total Debt Service Requirements. The following table sets forth the debt service requirements for the outstanding bonds and other obligations for borrowed money payable from the SNWA Water Revenues (except the Notes), as of February 1, 2017 (without taking into account the issuance of the 2017B Bonds and the 2017B Refunding Project).

SNWA Annual Debt Service Requirements⁽¹⁾

| Fiscal Year Ending <u>June 30</u> | Outstanding Superior <u>Obligations</u> | Outstanding Parity <u>Obligations⁽²⁾</u> | Outstanding Subordinate <u>Obligations⁽³⁾</u> | Grand <u>Total</u> |
|---|---|---|--|-----------------------|
| 2017 | \$1,137,399 | \$136,068,997 | \$ 16,146 | \$137,222,542 |
| 2018 | 1,220,815 | 257,317,676 | 2,831,345 | 261,369,836 |
| 2019 | 1,220,355 | 257,938,826 | 2,825,963 | 261,985,144 |
| 2020 | 1,218,416 | 257,918,028 | 2,820,581 | 261,957,025 |
| 2021 | -- | 260,023,235 | 1,948,537 | 261,971,772 |
| 2022 | -- | 260,445,081 | 1,594,684 | 262,039,765 |
| 2023 | -- | 260,739,154 | 1,240,831 | 261,979,985 |
| 2024 | -- | 260,766,325 | 778,140 | 261,544,466 |
| 2025 | -- | 251,277,710 | 778,140 | 252,055,850 |
| 2026 | -- | 251,227,131 | 778,140 | 252,005,271 |
| 2027 | -- | 242,680,334 | 778,140 | 243,458,474 |
| 2028 | -- | 205,221,813 | 22,172,340 | 227,394,153 |
| 2029 | -- | 192,116,650 | 126,540 | 192,243,190 |
| 2030 | -- | 192,794,300 | 63,270 | 192,857,570 |
| 2031 | -- | 166,057,600 | -- | 166,057,600 |
| 2032 | -- | 165,761,325 | -- | 165,761,325 |
| 2033 | -- | 166,143,975 | -- | 166,143,975 |
| 2034 | -- | 170,645,005 | -- | 170,645,005 |
| 2035 | -- | 166,053,905 | -- | 166,053,905 |
| 2036 | -- | 170,865,630 | -- | 170,865,630 |
| 2037 | -- | 170,814,463 | -- | 170,814,463 |
| 2038 | -- | 170,769,610 | -- | 170,769,610 |
| 2039 | -- | 164,595,840 | -- | 164,595,840 |
| 2040 | -- | 53,996,350 | -- | 53,996,350 |
| 2041 | -- | 53,993,000 | -- | 53,993,000 |
| 2042 | -- | 53,995,150 | -- | 53,995,150 |
| 2043 | -- | 30,387,750 | -- | 30,387,750 |
| 2044 | -- | 30,387,750 | -- | 30,387,750 |
| 2045 | -- | 30,390,250 | -- | 30,390,250 |
| 2046 | -- | 30,387,000 | -- | 30,387,000 |
| Total | \$4,796,984 | \$5,081,779,861 | \$38,752,800 | \$5,125,329,646 |

(1) Totals may not add due to rounding. Excludes debt service on the Notes.

(2) Combined debt service on the MBRA Parity Obligations and the SNWA Parity Obligations. The 2009A Bonds were issued as BABs. Prior to the 8.7% reduction in the payment of BAB Subsidies that went into effect on March 1, 2013 (7.2% as of October 1, 2013, 7.3% as of October 1, 2014, 6.8% as of October 1, 2015 and 6.9% as of October 1, 2016) as a result of federal budget cuts known as “sequestration,” the District expected to receive the BAB Credit in an amount equal to 35% of the interest due on those bonds. There is no assurance that the BAB Credit will be received in the future; accordingly, amounts shown here reflect total interest; the amounts are not reduced to reflect applicable BAB Credit amounts. If the BAB Credit is received, the interest payable on certain of the bonds will be lower. Does not include debt service on the 2017B Bonds.

(3) Includes the debt service on the Subordinate Lien Revenue Bond (Clean Renewable Energy), Series 2008.

Source: Southern Nevada Water Authority; compiled by the Financial Advisors.

Additional Obligations. See Note 13 in the audited financial statements attached hereto as Appendix B for a description of certain other SNWA commitments, including operating leases, forward power contracts and gas and power swaps as of June 30, 2016. Investors are cautioned that market conditions, which can change at any time, may affect the value of certain of the contracts and other commitments involved to an extent that cannot be stated at this time.

The SNWA also reimburses the District for amounts paid as operating expenses on its behalf. The District has allocated a portion of its OPEB liability to the SNWA; however, the SNWA has no immediate plans to reimburse the District for such amounts. See Notes 1 and 15 in the audited financial statements attached hereto as Appendix B for a description of those related party transactions.

SNWA Additional Contemplated Indebtedness

The SNWA anticipates that it will issue additional bonds in the future to fund portions of its capital plans (see “SOUTHERN NEVADA WATER SYSTEM - Capital Improvement Funding Plan” below); several projects remain to be completed. For example, the SNWA expects that it will request that the District issue an additional \$130,000,000 of new money bonds in fiscal year 2019 to fund the remaining construction of the low lake level pumping station.

The SNWA reserves the right to issue additional bonds or other obligations as needed upon the satisfaction of all legal requirements, including refunding obligations. The SNWA may, but has no immediate plans, to issue or cause to be issued on its behalf, obligations to refund the Notes on a parity with, or senior to, the 2017B Bonds, either on a fixed or variable rate basis. Alternatively, the SNWA may choose to amortize all or a portion of the Notes as they mature or refund the Notes with obligations that impose a lien on the SNWA Pledged Revenues that is subordinate to the lien of the 2017B Bonds.

SOUTHERN NEVADA WATER SYSTEM

The Service Area

The SNWS treats and delivers wholesale water to its purveyor members that serve the major metropolitan areas of Clark County, Nevada. This service area is arid desert characterized by small amounts of precipitation, little snow, low humidity, abundant sunshine, short and relatively mild winters, long, hot summers, and wide extremes in daily temperatures.

Water Supply in the Service Area

General. The Big Bend Water District, City of Boulder City, City of Henderson, City of North Las Vegas, and Las Vegas Valley Water District are members of the SNWA and provide retail potable water service to approximately 96% of the population of Clark County. There are two primary sources of water supply in the SNWS service area - Colorado River water and groundwater. Permanent groundwater supplies totaling approximately 46,000 acre-feet per year are owned by the City of North Las Vegas and the District. Prior to the 1970's, water providers relied on groundwater sources to provide water service. Since that time, Colorado River water (discussed below) has become the primary source and has provided the overwhelming majority of water. Although the SNWA continues to pursue groundwater rights from locations in North-Central Nevada (see “Integrated Water Planning; In-State Water Resources” below), both the water rights and federal right-of-way grant are the subject of ongoing litigation. Colorado River water is delivered primarily through the SNWS. The SNWA also provides wholesale water service to Nellis Air Force Base through the SNWS.

The State's annual consumptive use right to Colorado River water is 300,000 acre-feet. This right was established pursuant to the Colorado River Compact, various federal laws and contracts and various court decrees. Consumptive use is the amount of water withdrawn, less water that is returned to the river. The SNWA and its purveyor members' share of the State's annual Colorado River consumptive

use right is about 272,000 acre-feet annually. In 2016, SNWA diverted approximately 429,000 acre-feet of water from the Colorado River through the SNWS. This figure takes into account southern Nevada's extraordinary water reuse system, which returns approximately 40 percent of the community's total water use back to the Colorado River system. Through this return flow credit process, southern Nevada consumes less water than it diverts each year. In 2016, approximately 238,000 acre-feet of Nevada's Colorado River water allocation was consumed. The SNWA also has a contract right to unused and surplus Colorado River water when available as determined by the Secretary of the Interior. See "Seven Basin States Record of Decision" below.

In January 2001, the Secretary of the Interior (the "Secretary") approved the Colorado River Interim Surplus Guidelines that were amended effective December 2007. The Interim Surplus Guidelines are designed to help California remain within its 4.4 million acre-feet entitlement of Colorado River water. In addition, the Guidelines will be used to determine the availability of "surplus" Colorado River water for use within the states of Arizona, California and Nevada. See "Seven Basin States Record of Decision" below.

Additional Purveyors. There are additional water purveyors located in Clark County that are not customers of the SNWA. These purveyors include the Virgin Valley Water District, which serves the City of Mesquite and the surrounding area, and the Moapa Valley Water District, which serves Logandale, Overton, Moapa, and Glendale. In addition, the District provides water service to the communities of Jean, Kyle Canyon, Blue Diamond, and Searchlight. Water supplies for these communities are supplied from locally available water resources and not from the SNWA. The District also manages the Big Bend Water District pursuant to a contract with its board of trustees; water for Big Bend Water District is provided from an allocation of Colorado River water.

Water Resource Plan, Drought Planning and Integrated Water Resource Planning

General. As part of its mission, the SNWA maintains several key planning documents, including a Water Resource Plan to provide a comprehensive overview of projected water demands in southern Nevada, as well as the water resources available to the SNWA to meet those demands over time. The most current Water Resource Plan, discussed below, is online at www.snwa.com/ws/resource_plan.html. It should be noted that projections of water resources and water demands are subject to uncertainty resulting from numerous variables and that actual results may differ, possibly materially, from those contemplated in the projections.

Water Resource Plan. In 1996, the SNWA approved its first Water Resource Plan to outline the community's existing water resources and summarize projected demands. As with previous plans, the 2015 Water Resource Plan, originally approved by the SNWA Board in September 2015 and reviewed in November 2016, provides a comprehensive overview of projected water demands in southern Nevada, as well as the water resources available to the SNWA to meet those demands over a 50-year planning horizon. In developing this plan, the SNWA considered a number of factors including potential impacts of continued drought and climate change on water resource availability, particularly Colorado River supplies, and the potential impacts of economic conditions, climate change, and water use patterns on long-term water needs. To address these factors, a scenario-based planning approach is used to represent future water resource needs under variable supply and demand conditions.

Southern Nevada's water resources include a portfolio of permanent, temporary and future water resources. The SNWA's permanent resources are focused predominantly on the Colorado River, which accounts for approximately 90 percent of the water presently delivered to southern Nevadans. Specifically, permanent resources include Nevada's 300,000 acre-feet Colorado River apportionment, return-flow credits, Las Vegas Valley groundwater rights, owned Muddy and Virgin River surface water rights, Coyote Spring Valley Groundwater Imported Intentionally Created Surplus, and direct water recycling. Temporary resources take a variety of forms, but largely rely upon the Colorado

River as a delivery mechanism. Temporary resources include water stored in the Arizona Groundwater Bank, California Water Bank, Southern Nevada Groundwater Bank, and Intentionally Created Surplus. Intentionally Created Surplus resources include short-term Virgin and Muddy River leases and Brock Reservoir credits, among others. Some temporary resources are not available during shortage declarations. Future resources include supplies that are hydrologically independent of the river and projects producing water that can be conveyed through Lake Mead. These future water resources include the In-State Groundwater Project, a groundwater importation project, and Colorado River augmentation projects, transfers, and exchanges of conserved water such as ocean desalination (via exchange agreement), brackish desalination (via exchange agreement), and agricultural conservation. The Water Resource Plan approved in September 2015, indicates that future water resources will be needed in approximately twenty to forty years.

Creating and managing temporary water supplies through water banking helps bridge resources in the event of shortages and provides a resource “savings account.” As mentioned above, the SNWA maintains banking arrangements in Arizona, in southern California and locally in the Las Vegas Valley. The SNWA’s water banking activities are summarized below.

Arizona Groundwater Bank. In 2013, the SNWA approved an amendment to the 2001 Interstate Banking agreement among the Arizona Water Banking Authority, the Central Arizona Water Conservation District, and the Colorado River Commission of Nevada. This Interstate Banking Agreement allows Colorado River water to be stored underground in Arizona’s aquifers for the SNWA’s future use. The SNWA has paid approximately \$133.9 million to parties in Arizona for interstate banking and has accrued 601,041 acre-feet in long-term storage credits. The SNWA’s recovery of water banked in Arizona is limited to 40,000 acre-feet per year. Such recovery can be further limited if Arizona municipal customers are impacted by severe shortages. Additional water can be stored on a pay-as-you-go basis up to 1.25 million acre-feet. The limitation on Arizona Bank Recovery is 40,000 acre-feet per year. Recovery can be further limited if Arizona municipal customers are impacted by severe shortages. The SNWA does not foresee any additional storage needs in the immediate future.

Southern California Water Bank. The SNWA has entered into agreements with the Metropolitan Water District of Southern California (“Metropolitan”) and the U.S. Bureau of Reclamation to store a portion of the State’s unused Colorado River water in southern California. Under those agreements, the SNWA can recover up to 30,000 acre-feet per year from the storage account. As of the end of 2016, the SNWA has over 330,000 acre-feet of water stored by Metropolitan.

Southern Nevada Groundwater Bank. As of 2016, the SNWA has accumulated approximately 337,000 acre-feet of water stored in the Las Vegas Valley aquifer for future use through an agreement with the District.

Since its formation, the SNWA and its Members have worked collaboratively to establish and achieve water conservation goals. Conservation is achieved through four primary areas: education, incentives, regulation, and water pricing. The SNWA has invested over \$210 million in incentive programs like the Water Smart Landscapes program where customers are rebated for converting water-thirsty turf to water-efficient landscaping. Conservation has proven to be a cost-effective option for meeting southern Nevada’s water needs.

Drought continues to plague Colorado River resources, the source of approximately 90 percent of southern Nevada’s available supplies. Over the last 15 years, the Colorado River Basin is experiencing one of the worst droughts on record, which has impacted Lake Mead reservoir levels. There is no certainty as to when the current drought will end. However, it is clear that multiple, successive years of above average run-off are required to rebuild storage in major Colorado River system reservoirs like Lake Powell and Lake Mead. In 2007, the states who share the Colorado River’s water resources came to an agreement about how shortages would be declared and managed. Should the

drought worsen and Lake Mead's elevation fall below 1,075 feet, Arizona and Nevada's Colorado River allocation would be reduced. The SNWA's Water Resource Plan outlines how water demands would be met under two different shortage scenarios. The "increased shortage" scenario includes reductions above and beyond those currently required in the 2007 Interim Guidelines in order to demonstrate SNWA's ability to meet demands despite ongoing and prolonged drought on the river.

From January 1, 2016, to January 1, 2017, Lake Mead's elevation did not change appreciably due in large part to a release of 9.0 million acre-feet from Lake Powell for the water year ended September 30, 2016, an equivalent release to water-year 2015, and conservation efforts by water users. Lake Mead is currently projected to begin calendar 2018 at 1,074, continuing the overall downtrend observed since 2000. Such projected level could trigger a shortage declaration for 2018, but none of the respective lake level shortage elevations of 1,075, 1,050 or 1,025 described below would have a material impact on the District's or the SNWA's ability to meet projected demand.

The SNWA has sought out and capitalized on opportunities to increase the volume of water stored for southern Nevada's use in Lake Mead as authorized by the Department of Interior's 2007 Record of Decision entitled Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead (further discussed below). Three such opportunities involve (1) leasing surface water rights on the Virgin and Muddy Rivers systems that are tributary to the Colorado River; (2) reducing the amount of water lost to the Colorado River system through construction of reservoirs and treatment of water; and (3) diversion and transmission of Coyote Springs Valley Basin groundwater rights to Lake Mead. In the most recent Bureau of Reclamation reporting year (calendar year 2015), the Bureau credits SNWA with 511,023 acre-feet of additional stored water in Lake Mead. In addition, the SNWA continues to collaborate with the Bureau of Reclamation and other Colorado River Basin States and water users to develop voluntary programs to increase Lake Mead's elevation. These efforts are intended to forestall the declaration of and reduce the severity of shortages by helping to stabilize lake elevations. One such effort is the Pilot System Conservation Agreement, whereby approximately \$18 million has been committed to fund conservation projects that will create additional Colorado River system water, such as land fallowing, water efficiency, desalination, and reuse. The total expected volume of water conservation in Lake Mead from this program through 2025 is approximately 115,000 acre-feet.

Integrated Water Resource Planning. Since its inception, the SNWA continues to involve the community in its water planning approach and method. Its most recent effort, the IRPAC, involved 21 members of the community representing different community interests who evaluated the SNWA's approach to meeting water demands and maintaining a reliable water supply. The committee developed 17 recommendations over the span of two years that addressed issues such as funding, infrastructure, facilities, water quality, conservation, water resources and reliability.

Seven Basin States Record of Decision

On December 13, 2007, the Secretary of the Interior ("Secretary") signed a Record of Decision ("ROD") approving adoption of "Colorado River Interim Guidelines for Lower Basin Shortages and the Coordinated Operations for Lake Powell and Lake Mead." The ROD is the result of a lengthy public process that began in 2005 when the Secretary requested input from the seven states of the Colorado River Basin ("Seven Basin States") and other stakeholders regarding development of additional operational guidelines and tools to meet the challenges of the ongoing drought in the Colorado River Basin. During this process, the Bureau of Reclamation issued a Draft Environmental Impact Statement ("EIS") and a Final EIS that reflected comments from the Seven Basin States, general public and other interested parties.

The ROD approves and outlines specific interim Lower Basin shortage guidelines and coordinated management strategies for Lakes Powell and Mead under low reservoir conditions.

Except for several operational refinements as a result of the public input, the approved guidelines and strategies substantially reflect a conceptual plan and subsequent comments developed by the Seven Basin States and submitted to the Secretary on February 3, 2006, and April 30, 2007, respectively. These guidelines and strategies, which are intended to remain in effect through 2036 regarding water supply and through 2026 regarding reservoir operating decisions, include:

- Establishment of discrete levels of shortage volumes associated with Lake Mead elevations to conserve reservoir storage and provide water users and managers in the Lower Basin with greater certainty to know when, and by how much, water deliveries will be reduced in drought and other low reservoir conditions;
- Coordinated operation of Lake Powell and Lake Mead determined by specified reservoir conditions that would minimize shortages in the Lower Basin and avoid the risk of curtailments in the Upper Basin;
- A mechanism to encourage and account for augmentation and conservation of water supplies, referred to as Intentionally Created Surplus (“ICS”), that would minimize the likelihood and severity of potential future shortages; and
- The modification and extension of the Interim Surplus Guidelines through 2025.

Other elements of the agreement relating to tributary and imported water will be in effect past the expiration of reservoir operating and water supply guidelines and strategies.

As approved and adopted, the guidelines implement interim reservoir operations that are designed to minimize shortages in the Lower Basin and avoid the risk of curtailments in the Upper Basin through an operating strategy for Lakes Powell and Mead that strives to balance the water supply between these reservoirs, while maximizing their use. The guidelines replaced the then-existing Interim Surplus Guidelines by extending the Interim Surplus Guidelines through 2025, with amendments that (a) remove the partial domestic surplus category (which was implemented in 2001), (b) limit domestic surpluses for the Metropolitan Water District, Arizona and the SNWA to 250,000 acre-feet, 100,000 acre-feet, and 100,000 acre-feet per year, respectively, during the years 2016 through 2025, and (c) implement shortage conditions when Lake Mead’s elevation is at 1,075 feet or lower. The guidelines also provide an opportunity for Lower Basin States to develop, store and access ICS water through extraordinary conservation efforts, tributary conservation, system efficiency projects or importation of non-Colorado River water into the mainstream of the Colorado River. In any one year, the creation of extraordinary conservation ICS for California, Nevada and Arizona will be limited to 400,000 acre-feet, 125,000 acre-feet, and 100,000 acre-feet, respectively, while the maximum amount of extraordinary conservation ICS water that California, Nevada and Arizona can accumulate at any one time is limited to 1.5 million acre-feet, 300,000 acre-feet and 300,000 acre-feet, respectively. These limits do not apply to other categories of ICS water available to Nevada.

With regard to shortage conditions, Arizona and Nevada have executed a Shortage Sharing Agreement premised upon the Secretary’s reductions in deliveries within the United States of defined amounts per year based upon specific Lake Mead water elevations. At a Lake Mead elevation of 1,075 feet, an annual reduction of 333,000 acre-feet is required, with Nevada's share being 13,000 acre-feet and Arizona's share being 320,000 acre-feet. At a Lake Mead elevation of 1,050 feet, an annual reduction of 417,000 acre-feet is required, with Nevada's share being 17,000 acre-feet and Arizona's share being 400,000 acre-feet. Finally, at a Lake Mead elevation of 1,025 feet, an annual reduction of 500,000 acre-feet is required with Nevada's share being 20,000 acre-feet and Arizona's share being 480,000 acre-feet. SNWA’s Water Resource Plan demonstrates SNWA's ability to continue to meet demands during these currently defined shortage levels and even beyond. Moreover, the seven Colorado River basin states are

actively discussing Lower Basin Drought Contingency Plans to address shortages greater than these designated amounts.

The guidelines provide for the development of procedures that will allow Nevada's pre-compact tributary and imported groundwater water resources to be introduced, conveyed through and diverted from the Colorado River system. Nearly all (95%) of this water would be recoverable and available during any shortage and could contribute to return flow credits. As the SNWA pursues development of available groundwater supplies within Nevada, these procedures would provide opportunity for the southern Nevada area to significantly extend the use of these resources. The guidelines also allowed Nevada to participate in the implementation of system efficiency projects such as the Brock Reservoir along the All American Canal in California and the Yuma Desalting Plant in Arizona, as well as future augmentation projects. Participation in the Brock Reservoir project will give Nevada access to a one-time supply of water (400,000 acre-feet) that can be accessed in future years on an as-needed basis.

Colorado River Study and Drought Impact

On December 13, 2012, the Secretary of the Interior released a study that projects water supply and demand imbalances throughout the Colorado River Basin and adjacent areas over the next 50 years. This study is the first of its kind and includes a wide array of adaptation and mitigation strategies proposed by stakeholders and the public to address the projected imbalances. One of the key findings in the study is a large range of projected future supply and demand imbalances. The study projects a median imbalance in the Colorado River Basin of approximately 3.2 million acre-feet per year by 2060, with smaller projected shortages occurring sooner. The study also projects that the largest increase in demand will come from municipal and industrial users, primarily due to population growth.

Historic Water Demand

The following table sets forth treated water deliveries by the SNWA to each of the purveyor members and Nellis Air Force Base during the past 10 fiscal years.

Annual Water Delivered by the Southern Nevada Water System⁽¹⁾

| Fiscal Year Ended June 30 | City of Boulder City | City of Henderson | Las Vegas Valley Water District | Nellis Air Force Base | City of North Las Vegas | Total Deliveries |
|------------------------------|-------------------------|----------------------|---------------------------------------|-----------------------------|----------------------------|---------------------|
| 2016 | 10,458 | 65,284 | 287,374 | 1,044 | 49,569 | 413,729 |
| 2015 | 10,378 | 64,167 | 280,195 | 1,008 | 44,934 | 400,682 |
| 2014 | 10,688 | 61,890 | 280,417 | 1,097 | 46,459 | 400,551 |
| 2013 | 10,280 | 62,127 | 284,196 | 1,088 | 44,414 | 402,105 |
| 2012 | 10,514 | 63,450 | 284,662 | 1,069 | 48,120 | 407,815 |
| 2011 | 10,534 | 64,262 | 296,672 | 1,334 | 50,256 | 423,058 |
| 2010 ⁽²⁾ | 10,845 | 63,092 | 283,052 | 1,511 | 50,302 | 408,802 |
| 2009 ⁽²⁾ | 11,121 | 64,611 | 301,854 | 1,800 | 51,306 | 430,692 |
| 2008 ⁽²⁾ | 11,345 | 66,897 | 328,435 | 2,664 | 53,987 | 463,328 |
| 2007 | 11,239 | 69,738 | 344,200 | 2,682 | 55,436 | 483,295 |

⁽¹⁾ Acre-feet. Amounts may not total due to rounding.

⁽²⁾ Reduction in water deliveries due, in part, to the public's response to drought restrictions and the economic downturn and to banked water in Arizona and California.

Source: Southern Nevada Water Authority.

Water System Facilities

The SNWS has two major components: Transmission Facilities and Treatment Facilities. The Transmission Facilities are composed primarily of three source-of-supply intakes at Lake Mead; two large tunnels through the River Mountains; approximately 175 miles of large diameter water transmission pipelines; 28 pumping stations; 38 reservoirs and forebays; 35 metering stations; and other appurtenant facilities. Collectively, these facilities have a nominal capacity to treat and deliver 1,015 million gallons of water per day.

The Treatment Facilities include the Alfred Merritt Smith Water Treatment Facility and the River Mountains Water Treatment Facility, which are used to treat Lake Mead water to drinking water standards. Raw water is drawn through at least one of the three source-of-supply intakes at Saddle Island on Lake Mead and transported to the Treatment Facilities via high capacity pumping stations. The Treatment Facilities utilize ozonation, chlorination, aeration, coagulation, flocculation, and filtration processes. All filter backwash water is reclaimed and recycled to the influent of each facility. Residual solids from the backwash process are collected, spread on drying beds and then hauled from each facility. Automated monitoring and testing equipment aids treatment operators in achieving continuous compliance with water quality standards.

The Treatment Facilities are subject to regulatory requirements relating to State law and the Federal Safe Drinking Water Act. The SNWS meets the primary and secondary standards established by the Federal Safe Drinking Water Act in all areas. In the area of total dissolved solids, the SNWS has complied with the Safe Drinking Water Act recommended standard. Increased Federal and State regulation of facilities such as the SNWS may be anticipated in the future. The SNWA cannot predict the impact of such regulations, if any, on the operation of the SNWS or the costs thereof.

Capital Improvement Funding Plan

General. The SNWA currently has two capital construction programs: (1) the Major Construction and Capital Plan (“MCCP”), and (2) the Las Vegas Wash Capital Improvements Plan (“LVWCIP”). As required by the SNWA’s Cooperative Agreement and the Facilities and Operations Agreement adopted by each of the municipal water purveyors, these capital plans are established to define and authorize endeavors and initiatives that are 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 SNWA Board.

The MCCP encompasses capital endeavors involving water resource acquisition, water system facilities construction, repair, and replacement, water quality enhancements, and water-related energy resources and facilities. The LVWCIP is focused on capital projects associated with improving water quality in the Las Vegas Wash, the natural channel that conveys surface water from the Las Vegas Valley to Lake Mead, the primary source of drinking water for southern Nevada.

Because the MCCP includes endeavors that have long-term objectives associated with the viability and sustainability of southern Nevada’s water supply and delivery capabilities, it is a dynamic, ever-evolving program with changes represented by periodic amendments. The latest amendment to the MCCP, which includes approval by the purveyor members, identifies work with a cost to complete of approximately \$1.145 billion. The LVWCIP is comprised of approximately \$161 million for a defined collection of projects funded by SNWA’s portion of sales tax revenues and various grants. The LVWCIP is approximately 85% complete.

One of the largest active MCCP projects is Lake Mead Intake No. 3 with a total estimated cost of \$1.441 billion. Lake Mead’s Intake No. 3 is critical to help protect the community from the effects of

prolonged drought in the Colorado River Basin. Intake No. 3 is planned to protect municipal water customers from water quality issues and reduced system capacity associated with declining lake levels. Components of the Intake No. 3 project include an intake tunnel, underground pumping forebay, pumping station, electrical power connections and discharge pipelines to the water treatment facilities. Intake No. 3 was originally envisioned to maintain the SNWA's ability to draw upon Colorado River water at lake elevations as low as 1,000 feet above sea level, assuring system capacity if lake levels fall low enough to put the existing Intake No. 1 out of service. However, with the ongoing drought affecting the water levels of Lake Mead, the SNWA board, acting on recommendations from IRPAC, in December 2014 directed that the pumping station be redesigned to establish the ability to draw water at lake elevations as low as 875 feet above sea level, well below the level currently possible with the Intake No. 1 and Intake No. 2. The latest amendment to the MCCP represents this new directive, involving construction of the more capable low lake level pumping station at an estimated cost of \$650 million. The intake tunnel portion of the Intake No. 3 project became operational in September of 2015. The low lake level pumping station component of the Intake No. 3 Project is scheduled for completion in 2020.

Other active MCCP projects include: Interim Colorado River Supplies which includes Arizona Banking; Water Resource Acquisition and Development; Clark, Lincoln and White Pine Counties Groundwater Development, Virgin and Muddy Rivers Water Resources Acquisition; and other general system improvement projects. Capital expenditures for the MCCP in the fiscal year 2016–17 Budget are projected to be \$219 million.

The funding for most of the MCCP expenditures has come from the sale of municipal bonds such as the Series 2017B Bonds (including tax-exempt bonds and taxable Build America Bonds). These bonds are being repaid from the following revenue sources (1) Regional Connection Charge; (2) Regional Infrastructure Charge; (3) Quarter Cent Sales Tax (as defined herein); (4) Regional Commodity Charge; (5) Regional Reliability Surcharge; and (6) funds received by the SNWA from the Southern Nevada Public Lands Management Act. Each is discussed below. See also “SECURITY FOR THE 2017B BONDS – SNWA Pledged Revenues-History of SNWA Water Revenues.”

Regional Connection Charge. The Regional Connection Charge is applied to any new customer who connects to the system of one of the SNWA's participating purveyor members. The charge is collected by the purveyor member and remitted to the SNWA monthly. The amount is based on various factors. Since inception in March 1996 through June 2016, the SNWA has received approximately \$1.506 billion in Regional Connection Charges. This revenue source has been volatile, but funds received are expected to be used to fund the MCCP and for repayment of bonds.

Regional Infrastructure Charge. On February 29, 2012, the SNWA Board approved an infrastructure charge to help stabilize revenue streams severely affected by the erosion of connection charges experienced since 2009. The fee, which is based on meter size, added approximately \$5 to the average residential monthly bill. The charge is collected by the purveyor member and remitted to the SNWA monthly. The new fees took effect in April 2012. From inception through June 2016, SNWA has received \$365.7 million in Regional Infrastructure charges. As part of the IRPAC Phase I increases and IRPAC Phase II increases, the charge is expected to add approximately \$7.92 to the average monthly residential bill by 2018.

Sales Tax. The third major source of revenue for the MCCP is a 0.25% sales tax (the “Quarter Cent Sales Tax”), which was added to the County sales tax rate in April 1999. This revenue is collected by the State Department of Taxation and remitted to the SNWA monthly with a two-month lag. The SNWA shares this revenue with wastewater agencies in the Las Vegas valley, rural water and wastewater systems, and for projects related to the Las Vegas Wash (a tributary that channels storm water, urban runoff, shallow groundwater and highly-treated wastewater into Las Vegas Bay at Lake Mead). The Quarter Cent Sales Tax was originally scheduled to sunset on June 30, 2025, or when \$2.3 billion had been collected, whichever occurs first. However, legislation extending the Quarter Cent Sales Tax sunset provisions was enacted during the 2011 Legislative session, subject to approval from the Clark County

Board of Commissioners. The extension removes the limit on both the time and amount that can be raised by the Quarter Cent Sales Tax. Under the original sales tax legislation, the SNWA projected that it would receive approximately 58% of the gross proceeds of the Quarter Cent Sales Tax; projections as to the amount the SNWA will retain under the legislation are still being examined, but it is currently believed that the percentage will increase. The SNWA has received approximately \$768.5 million of the \$1.27 billion gross Quarter Cent Sales Tax collected through June 2016. The Quarter Cent Sales Tax revenues can be used to make MCCC debt service payments, or to pay construction costs directly which reduces the amount of money that needs to be borrowed. In the past, the SNWA has used Quarter Cent Sales Tax to pay construction costs directly; however the SNWA currently plans to use most of the Quarter Cent Sales Tax to pay debt service.

Regional Commodity Charge. The fourth major revenue source for the MCCC is the Regional Commodity Charge imposed per 1,000 gallons of water delivered from any source by the purveyor members of the SNWA. The rate is currently \$0.48 cents per 1,000 gallons. This charge is collected by purveyor members and remitted to the SNWA monthly. Through June 2016, the SNWA has received approximately \$393.9 million of Regional Commodity Charge revenues. This revenue source is projected to provide 10% of total MCCC revenue. The Operations Agreement provides for the commodity charge to be applied to potential future water deliveries to the District, Henderson and North Las Vegas.

Regional Reliability Surcharge. The Regional Reliability Surcharge is a charge added to the water bills of the SNWA purveyor members. The charge is 0.25% of the total water bill for residential customers and 2.5% for commercial customers. Through June 2016, the SNWA has received approximately \$68.4 million of Regional Reliability Surcharge revenues. This revenue source is projected to provide 5% of MCCC revenue.

Southern Nevada Public Lands Management Act. The Southern Nevada Public Lands Management Act (“SNPLMA”) is a 1998 federal law that gives the SNWA 10% of the sale price of certain public lands in Clark County to defray some of the cost of the SNWA CIP. This revenue was not anticipated when the MCCC Funding Plan was developed in 1997. Because the parcels of land to be sold and their sale prices are unknown, revenue is not predictable. From inception through June 2016, the SNWA has received \$305.2 million from the SNPLMA.

ECONOMIC AND DEMOGRAPHIC INFORMATION

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

Population and Age Distribution

Population. The table below shows the population growth of the County and the State since 1970. According to U.S. Census figures, between 2000 and 2010, the County’s population increased 41.8% and the State’s population increased 35.1%.

Population

| Year | Clark County | Percent Change | State of Nevada | Percent Change |
|------|--------------|----------------|-----------------|----------------|
| 1970 | 273,288 | -- | 488,738 | -- |
| 1980 | 463,087 | 69.5% | 800,493 | 63.8% |
| 1990 | 741,459 | 60.1 | 1,201,833 | 50.1 |
| 2000 | 1,375,765 | 85.5 | 1,998,257 | 66.3 |
| 2010 | 1,951,269 | 41.8 | 2,700,551 | 35.1 |
| 2011 | 1,967,722 | 0.8 | 2,721,794 | 0.8 |
| 2012 | 1,988,195 | 1.0 | 2,750,217 | 1.1 |
| 2013 | 2,031,723 | 2.2 | 2,800,967 | 1.8 |
| 2014 | 2,069,450 | 1.9 | 2,843,301 | 1.5 |
| 2015 | 2,118,353 | 2.4 | 2,897,585 | 1.91 |

Source: United States Department of Commerce Bureau of the Census (1970-2010 statistics as of April 1) and Nevada State Demographer's Office (2011-2015 estimates as of July 1st). Populations are subject to periodic revisions.

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

Age Distribution

| Age | Percent of Population | | |
|--------------|-----------------------|-----------------|---------------|
| | Clark County | State of Nevada | United States |
| 0-17 | 23.4% | 23.0% | 22.8 |
| 18-24 | 8.9 | 8.8 | 9.7 |
| 25-34 | 14.2 | 13.9 | 13.4 |
| 35-44 | 14.0 | 13.4 | 12.6 |
| 45-54 | 13.4 | 13.3 | 13.1 |
| 55-64 | 11.8 | 12.4 | 12.9 |
| 65-74 | 8.8 | 9.4 | 9.1 |
| 75 and Older | 5.5 | 5.8 | 6.4 |

Source: © 2017 The Nielsen Company.

Income

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

Median Household Effective Buying Income⁽¹⁾

| Year | Clark County | State of Nevada | United States |
|------|--------------|-----------------|---------------|
| 2013 | \$40,897 | \$40,617 | \$41,358 |
| 2014 | 41,576 | 42,480 | 43,715 |
| 2015 | 43,603 | 44,110 | 45,448 |
| 2016 | 45,634 | 46,230 | 46,738 |
| 2017 | 47,610 | 47,914 | 48,043 |

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

Source: © The Nielsen Company, *SiteReports*, 2013-2016.

Percent of Households by Effective Buying Income Groups – 2017 Estimates

| Effective Buying Income Group | Clark County Households | State of Nevada Households | United States Households |
|-------------------------------|-------------------------|----------------------------|--------------------------|
| Under \$24,999 | 22.3% | 22.6% | 24.0% |
| \$25,000 - \$49,999 | 30.4 | 29.7 | 28.2 |
| \$50,000 - \$74,999 | 21.4 | 21.2 | 19.3 |
| \$75,000 - \$99,999 | 13.1 | 13.3 | 13.0 |
| \$100,000 - \$124,999 | 5.6 | 5.9 | 6.0 |
| \$125,000 - \$149,999 | 2.6 | 2.7 | 3.5 |
| \$150,000 or more | 4.6 | 4.6 | 6.0 |

Source: © 2016 The Nielsen Company, *SiteReports*.

The following table sets forth the annual per capita personal income levels for the residents of the County, the State and the United States.

Per Capita Personal Income⁽¹⁾

| Year | Clark County | State of Nevada | United States |
|------|--------------|-----------------|---------------|
| 2011 | \$36,512 | \$37,979 | \$42,453 |
| 2012 | 38,516 | 39,178 | 44,267 |
| 2013 | 37,966 | 38,885 | 44,462 |
| 2014 | 39,613 | 40,490 | 46,414 |
| 2015 | 40,652 | 41,889 | 48,112 |

⁽¹⁾ County figures posted November 2016; State and National figures posted September 2015. All figures subject to periodic revisions.

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

Employment

The State of Nevada's Employment and Security Department ("DETR") began publishing labor force and industrial employment data using a new Bureau of Labor Statistics ("BLS") methodology for defined metropolitan statistical areas ("MSA") where applicable. The average annual labor force summary for the Las Vegas-Paradise MSA is as follows:

Average Annual Labor Force Summary⁽¹⁾
Las Vegas-Henderson-Paradise MSA, Nevada
(Estimates in Thousands)

| Calendar Year ⁽¹⁾ | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ⁽²⁾ |
|----------------------------------|-------|---------|---------|---------|---------|---------------------|
| TOTAL LABOR FORCE | 995.5 | 1,000.9 | 1,006.7 | 1,019.6 | 1,047.5 | 1,052.0 |
| Unemployment | 132.2 | 112.7 | 96.7 | 79.6 | 71.3 | 64.0 |
| Unemployment Rate ⁽³⁾ | 13.3% | 11.3% | 9.6% | 7.8% | 6.8% | 6.1% |
| Total Employment ⁽⁴⁾ | 863.4 | 888.2 | 910.0 | 940.0 | 976.3 | 988.0 |

⁽¹⁾ Numbers for 2011-2014 revised April 2015.

⁽²⁾ Averaged figures through October 31, 2016.

⁽²⁾ The annual average U.S. unemployment rates for the years 2011 through 2015 are 8.9%, 8.1%, 7.4%, 6.2% and 5.3%, respectively.

⁽⁴⁾ Adjusted by census relationships to reflect number of persons by place of residence.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation; and U.S. Bureau of Labor, Bureau of Labor Statistics.

The following table indicates the number of persons employed, by type of employment, in non-agricultural industrial employment in the Las Vegas-Paradise MSA.

Industrial Employment⁽¹⁾
Las Vegas-Henderson-Paradise MSA, Nevada (Clark County)
(Estimates in Thousands)

| Calendar Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ⁽²⁾ |
|--|--------------|--------------|--------------|--------------|--------------|---------------------|
| Natural Resources and Mining | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Construction | 37.6 | 37.4 | 40.8 | 45.1 | 50.9 | 56.9 |
| Manufacturing | 19.8 | 20.2 | 20.7 | 21.1 | 21.6 | 22.0 |
| Trade (Wholesale and Retail) | 114.5 | 117.7 | 120.5 | 124.0 | 128.3 | 131.8 |
| Transportation, Warehousing & Utilities | 35.2 | 36.3 | 36.5 | 38.1 | 40.6 | 42.6 |
| Information | 9.3 | 9.7 | 9.7 | 10.5 | 10.6 | 10.0 |
| Financial Activities | 40.0 | 41.7 | 43.5 | 43.8 | 45.3 | 45.2 |
| Professional and Business Services | 102.1 | 106.7 | 111.4 | 117.1 | 125.9 | 125.7 |
| Education and Health Services | 72.7 | 75.6 | 79.1 | 82.4 | 87.7 | 93.7 |
| Leisure and Hospitality (casinos excluded) | 100.4 | 103.9 | 109.4 | 115.8 | 121.2 | 124.7 |
| Casino Hotels and Gaming | 159.2 | 157.9 | 157.8 | 163.2 | 160.8 | 159.2 |
| Other Services | 23.3 | 24.0 | 24.3 | 25.8 | 25.7 | 25.9 |
| Government | <u>94.0</u> | <u>93.9</u> | <u>94.8</u> | <u>96.1</u> | <u>98.2</u> | <u>98.8</u> |
| TOTAL ALL INDUSTRIES | <u>808.2</u> | <u>825.1</u> | <u>848.9</u> | <u>883.4</u> | <u>917.2</u> | <u>936.8</u> |

⁽¹⁾ Totals may not add up due to rounding. Reflects employment by place of work. Does not necessarily coincide with labor force concept. Includes multiple job holders. All numbers are subject to periodic revision.

⁽²⁾ Averaged figures through October 31, 2016.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table is based on unemployment insurance tax account numbers and is an estimate based on reported information. No independent investigation has been made of and consequently no assurances can be given as to the financial condition or stability of the employers listed below or the likelihood that such entities will maintain their status as major employers in the County.

Clark County's Ten Largest Employers 2nd Quarter 2016

| Employer | Employment Range | Industry |
|---|------------------|------------------|
| Clark County School District | 30,000 - 39,999 | Public education |
| Clark County | 8,500 - 8,999 | Local government |
| Wynn Las Vegas | 8,000 - 8,499 | Casino hotel |
| MGM Grand Hotel/Casino | 7,500 - 7,999 | Casino hotel |
| Bellagio LLC | 7,500 - 7,999 | Casino hotel |
| Aria Resort & Casino LLC | 7,000 - 7,499 | Casino hotel |
| Mandalay Bay Resort and Casino | 7,000 - 7,499 | Casino hotel |
| The Venetian/Palazzo Casino Resorts LLC | 6,000 - 6,499 | Casino/hotel |
| University of Nevada – Las Vegas | 5,500 - 5,999 | University |
| Las Vegas Metropolitan Police | 5,000 - 5,499 | Local government |

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

The following table lists the firm employment size breakdown for the County.

Size Class of Industries⁽¹⁾
Clark County, Nevada (Non-Government Worksites)

| CALENDAR YEAR | 2 nd Qtr 2016 | 2 nd Qtr 2015 | Percent Change 2016/2015 | Employment Totals 2 nd Qtr 2016 |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|---|
| TOTAL NUMBER OF WORKSITES | 55,496 | 51,749 | 7.2% | 836,792 |
| Less Than 10 Employees | 42,017 | 38,761 | 8.4 | 102,690 |
| 10-19 Employees | 6,484 | 6,296 | 3.0 | 87,860 |
| 20-49 Employees | 4,391 | 4,163 | 5.5 | 131,579 |
| 50-99 Employees | 1,413 | 1,387 | 1.9 | 97,099 |
| 100-249 Employees | 840 | 814 | 3.2 | 123,780 |
| 250-499 Employees | 188 | 174 | 8.0 | 64,702 |
| 500-999 Employees | 95 | 92 | 3.3 | 64,145 |
| 1000+ Employees | 68 | 62 | 9.7 | 164,937 |

(1) Subject to revisions.

Source: Research and Analysis Bureau, Nevada Dept. of Employment, Training and Rehabilitation.

Retail Sales

The following table presents a record of taxable sales in the County and the State.

Taxable Sales⁽¹⁾

| Fiscal Year ⁽²⁾ | County Total | Percent Change | State Total | Percent Change |
|----------------------------|------------------|----------------|------------------|----------------|
| 2012 | \$31,080,880,557 | -- | \$42,954,750,131 | -- |
| 2013 | 32,566,664,630 | 4.8% | 45,203,408,413 | 5.2% |
| 2014 | 35,040,891,695 | 7.6 | 47,440,345,167 | 4.9 |
| 2015 | 37,497,073,742 | 7.0 | 50,347,535,591 | 6.1 |
| 2016 | 39,242,730,088 | 4.7 | 52,788,295,421 | 4.8 |
| July-Oct 2015 | 12,790,319,513 | -- | 17,267,720,332 | -- |
| July-Oct 2016 | 13,272,429,806 | 3.8 | 18,279,288,705 | 5.9 |

(1) Subject to revision.

(2) Fiscal year runs from July 1 to the following June 30.

Source: State of Nevada - Department of Taxation.

Construction

Construction valuation is a value placed on a project in order to determine permit and plans check fees. Construction valuation has no relationship to assessed valuation. Set forth in the following table is a summary of the number and valuation of new single-family (including townhomes) building permits within the County and its incorporated areas.

Residential Building Permits
Clark County, Nevada
(Values in Thousands)

| Calendar Year | 2012 | | 2013 | | 2014 | | 2015 | | 2016 ⁽²⁾ | |
|-----------------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|--------------------|---------------------|--------------------|
| | Permits | Value | Permits | Value | Permits | Value | Permits | Value | Permits | Value |
| Las Vegas | 1,235 | \$154,145 | 1,538 | \$201,412 | 1,453 | \$202,296 | 1,663 | \$243,674 | 1,503 | \$309,105 |
| North Las Vegas | 636 | 98,280 | 506 | 70,222 | 491 | 66,508 | 698 | 91,462 | 719 | 106,290 |
| Henderson | 1,133 | 145,144 | 1,352 | 185,094 | 1,318 | 196,285 | 1,696 | 255,663 | 2,197 | 317,413 |
| Mesquite | 169 | 26,341 | 202 | 33,066 | 196 | 34,323 | 206 | 40,564 | 246 | 56,274 |
| Unincorporated Clark County | 2,984 | 415,477 | 3,593 | 449,225 | 3,428 | 452,740 | 3,847 | 492,320 | 4,048 | 518,263 |
| Boulder City ⁽¹⁾ | 9 | 3,201 | 15 | 3,484 | 16 | 5,199 | 22 | 6,977 | 3 | 962 |
| TOTAL | 6,166 | \$842,588 | 7,206 | \$942,503 | 6,902 | \$957,351 | 8,132 | \$1,130,660 | 8,716 | \$1,308,307 |

(1) Boulder City imposed a strict growth control ordinance effective July 1, 1979.

(2) Annual totals as of December 31, 2016, except for City of North Las Vegas which is through October 31, 2016.

Sources: Building Departments: Las Vegas, North Las Vegas, Henderson, Mesquite, Clark County; and Boulder City.

The following table is a summary of the total valuation of all building permits within the County and its incorporated areas.

Total Valuation of all Permits

| Calendar Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 ⁽¹⁾ |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Las Vegas | \$ 378,230,284 | \$ 411,022,949 | \$ 497,750,543 | \$ 596,103,559 | \$ 602,775,475 | \$ 690,905,467 |
| North Las Vegas | 187,964,611 | 158,651,851 | 203,590,405 | 263,192,557 | 262,266,938 | 325,617,586 |
| Henderson | 194,357,540 | 243,753,376 | 359,371,027 | 385,009,871 | 423,923,070 | 595,334,431 |
| Mesquite | 26,761,655 | 28,789,392 | 38,879,662 | 38,059,247 | 45,697,056 | 66,907,918 |
| Unincorporated Clark County | 811,065,954 | 1,661,632,803 | 1,631,904,822 | 1,987,655,692 | 2,251,507,323 | 2,306,747,407 |
| Boulder City | 20,853,975 | 96,450,660 | 333,212,307 | 29,391,159 | 18,566,548 | 92,521,659 |
| TOTAL | \$1,619,234,019 | \$2,600,301,031 | \$3,064,708,766 | \$3,299,412,085 | \$3,604,736,410 | \$4,078,034,468 |
| Percent Change | -- | 60.59% | 17.86% | 7.66% | 9.25% | 13.13% |

⁽¹⁾ Annual totals as of December 31, 2016, except for City of North Las Vegas, which is through October 31, 2016.

Sources: Building Departments: Las Vegas, North Las Vegas, Henderson, Mesquite, Clark County; and Boulder City.

Gaming

General. The economy of the County (and the State) is substantially dependent upon the tourist industry, which is based on legalized casino gambling and related forms of entertainment. Gaming has been legal in Nevada since 1931 and is controlled and regulated by the State. Control is vested in a five-member Gaming Commission and a three-member Gaming Control Board. All of the board and commission members are appointed by the Governor. These boards investigate and approve all licenses, establish operating rules, and collect gaming taxes due the State.

Gross Taxable Gaming Revenue and Total Gaming Taxes⁽¹⁾

| Fiscal Year Ended June 30 | Gross Taxable Gaming Revenue ⁽²⁾ | | % Change Clark County | State Gaming Collection ⁽³⁾ | | % Change Clark County |
|---------------------------------|--|------------------|-----------------------------|---|---------------|-----------------------------|
| | State Total | Clark County | | State Total | Clark County | |
| 2011 | \$ 9,836,469,093 | \$ 8,366,858,758 | 2.62% | \$853,455,347 | \$723,936,954 | 4.01% |
| 2012 | 9,764,332,506 | 8,304,531,003 | (0.74) | 864,621,791 | 750,628,068 | 3.40 |
| 2013 | 10,208,528,371 | 8,758,837,726 | 5.47 | 892,106,457 | 774,549,912 | 3.19 |
| 2014 | 10,208,211,093 | 8,768,009,640 | 0.10 | 912,371,316 | 795,514,687 | 2.71 |
| 2015 | 10,511,527,575 | 9,025,697,588 | 2.94 | 909,857,085 | 790,506,339 | (0.63) |
| 2016 | 10,612,567,883 | 9,105,161,255 | 0.88 | 876,040,147 | 756,465,063 | (4.31) |
| Jul 15 – Dec 15 | \$ 4,325,333,845 | \$ 2,910,819,602 | -- | \$406,567,222 | \$350,948,333 | -- |
| Jul 16 – Dec 16 | 4,507,655,839 | 3,099,459,497 | 6.48% | 404,113,762 | 347,852,481 | (0.88)% |

⁽¹⁾ The figures shown are subject to adjustments due to amended tax filings, fines and penalties.

⁽²⁾ The total of all sums received as winnings less only the total of all sums paid out as losses (before operating expenses).

⁽³⁾ Cash receipts of the State from all sources relating to gaming (General Fund and other revenues) including percentage license fees, quarterly flat license fees, annual license fees, casino entertainment taxes, annual slot machine taxes, penalties, advance fees, and miscellaneous collections. A portion of collections is deposited to the State funds other than the State's General Fund.

Source: State of Nevada - Gaming Control Board.

Gaming Competition. Different forms of legalized gaming have been authorized by many states, including tribal casinos in California and elsewhere across the United States. Other states may authorize gaming in the future in one form or another. The different forms of gaming range from casino gaming to riverboat gambling to lotteries. Some forms of gaming offered elsewhere compete with the gaming products offered in the County and will continue to do so in the future.

California Gaming Measure. In 2000, California voters approved a constitutional amendment allowing Las Vegas-style slot machines and card games at tribal casinos within California. To date, California has signed and ratified compacts with 67 of the State's 107 Indian tribes. Each compact specifies the number of casinos and slot machines a tribe may operate. There currently are 57 tribal casinos operated by 56 tribes.

Tourism

Tourism is an important industry in the County. Hoover Dam, Lake Mead, Mt. Charleston and other tourist attractions are in the County. Attractions such as the Great Basin, Grand Canyon, Yosemite, Bryce Canyon, Zion, and Death Valley National Parks are each within a short flight or day's drive of southern Nevada.

Set forth in the table below is the Las Vegas Convention and Visitors Authority ("LVCVA") Marketing Department's estimate of the number of visitors to the Las Vegas Metropolitan Area since 2012.

Visitor Volume and Room Occupancy Rate
Las Vegas Metropolitan Area, Nevada

| Calendar Year | Total Visitor Volume | Number of Hotel/Motel Rooms Available | Hotel/Motel Occupancy Rate ⁽¹⁾ | National Occupancy Rate ⁽²⁾ |
|---------------|----------------------|---------------------------------------|---|--|
| 2011 | 38,928,708 | 150,161 | 83.8% | 60.1% |
| 2012 | 39,727,022 | 150,481 | 84.4 | 61.4 |
| 2013 | 39,668,221 | 150,593 | 84.3 | 62.3 |
| 2014 | 41,126,512 | 150,544 | 86.8 | 64.4 |
| 2015 | 42,312,216 | 149,213 | 87.7 | 65.5 |
| 2016 | 42,936,109 | 149,339 | 89.1 | 65.5 |

(1) The sample size for this survey represents approximately 75% of the hotel/motel rooms available.

(2) Source STR.

Source: Las Vegas Convention and Visitors Authority.

The LVCVA is financed with the proceeds of hotel and motel room taxes in the County and its incorporated cities. A history of the room tax revenue collected is presented in the following table.

Room Tax Revenue⁽¹⁾
Las Vegas Convention & Visitors Authority, Nevada

| Calendar Year | Revenue | Percent Change |
|---------------------|---------------|----------------|
| 2011 | \$194,329,584 | -- |
| 2012 | 200,384,250 | 3.12% |
| 2013 | 210,138,996 | 4.87 |
| 2014 | 232,443,537 | 10.61 |
| 2015 | 254,438,208 | 9.46 |
| 2016 ⁽²⁾ | 255,136,714 | -- |

(1) Subject to revision. Room tax revenue represents a 5% tax allocated to the Las Vegas Convention & Visitors Authority; a total 9-11% room tax is assessed on all Clark County hotel/motel properties.

(2) As of November 30, 2016. Revenue total-to-date reflects a 7.2% increase over the same time period in 2015.

Source: Las Vegas Convention and Visitors Authority.

Transportation

The County, through its Department of Aviation, operates an airport system comprised of McCarran International Airport ("McCarran") and a reliever airport in North Las Vegas. Other general aviation airports in the County include Jean Sport, Overton/Perkins Field and Henderson Executive Airport in Henderson. Boulder City Municipal Airport, which is not owned by the County, is located in the southeastern part of the County.

Nearly half of all Las Vegas visitors arrive by air via McCarran, making it a major driving force in the southern Nevada economy. McCarran's long range plan focuses on building and maintaining state-of-the-art facilities, maximizing existing resources, and capitalizing on new and innovative technology. McCarran opened Terminal 3 in 2012, a new 1.9 million-square-foot facility, which eases congestion within garages, ticketing lobbies and security checkpoints. Research conducted by local firm Applied Analysis found that McCarran and the Clark County Aviation System generate \$28.4 billion in total

economic output annually. Additionally, more than 201,000 jobs and \$8.0 billion in labor income can be attributed to County-managed airports. McCarran reported 47.4 million arriving and departing passengers in 2016, making it the second-busiest year in the airport's 68-year history. The record was set in 2007 with 47.8 million airline passengers. A history of passenger statistics is set forth in the following table.

McCarran International Airport Enplaned & Deplaned Passenger Statistics

| Calendar Year | Scheduled Carriers | Charter, Commuter & Other Aviation | Total | Percent Change |
|------------------|-----------------------|--|------------|-------------------|
| 2011 | 39,506,442 | 1,974,762 | 41,481,204 | -- |
| 2012 | 39,807,361 | 1,860,235 | 41,667,596 | 0.4% |
| 2013 | 40,334,735 | 1,522,324 | 41,857,059 | 0.5 |
| 2014 | 41,327,024 | 1,558,326 | 42,885,350 | 2.5 |
| 2015 | 43,933,404 | 1,455,670 | 45,389,074 | 5.8 |
| 2016 | 45,857,096 | 1,578,544 | 47,435,640 | 4.5 |

Source: McCarran International Airport.

A major railroad crosses Clark County. There are nine federal highways in Nevada, two of which are part of the interstate system. Interstate 15, connecting Salt Lake City and San Diego, passes through Las Vegas and provides convenient access to the Los Angeles area. Interstate 80 connects Salt Lake City with the San Francisco Bay area and passes through the Reno-Sparks area. Several national bus lines and trucking lines serve the State.

U.S. Highways 95 and 93 are major routes north from Las Vegas, through Reno and Ely, Nevada, respectively. South of Las Vegas, U.S. 95 extends to the Mexican border, generally following the Colorado River, and U.S. 93 crosses Hoover Dam into Arizona.

Federal Activities

Operations and facilities of the federal government in the State have been significant, beginning with Hoover Dam in the 1930's, an Army Air Force gunnery school (which later became Nellis Air Force Base) during World War II, and the subsequent creation of the Nevada Test Site. Currently, the following federal activities are located in the County.

Hoover Dam. Hoover Dam, operated by the Bureau of Reclamation, is a multiple-purpose development. The dam controls floods and stores water for irrigation, municipal and industrial uses, hydroelectric power generation, and recreation. Hoover Dam is still one of the world's largest hydroelectric installations with a capacity of more than 2,000,000 kilowatts. Hoover Dam also is a major tourist attraction in the County.

Nellis Air Force Base. Nellis Air Force Base, a part of the U.S. Air Force Air Combat Command, is located adjacent to the City of Las Vegas. The base itself covers more than 14,000 acres of land, while the total land area occupied by Nellis Air Force Base and its ranges is over three million acres. The base hosts numerous military programs as well as civilian workers. It is the home base of the "Thunderbirds," the world famous air demonstration squadron.

Nevada National Security Site. The Nevada National Security Site ("NNSS"), previously the Nevada Test Site, was established in 1950 as the nation's proving ground for nuclear weapons testing. In recent years, under the direction of the Department of Energy's (DOE) Nevada Operations Office, NNSS use has diversified into many other areas such as hazardous chemical spill testing, emergency response training, conventional weapons testing, and waste management projects that can best be conducted in this

remote desert area. The NNSS has been designated as an Environmental Research Park where scientists and students can conduct research on environmental issues. Located 65 miles northeast of Las Vegas, the NNSS is a massive outdoor laboratory and national experimental center. NNSS comprises 1,360 square miles, surrounded by thousands of additional acres of land withdrawn from the public domain for use as a protected wildlife range and for a military gunnery range, creating an unpopulated area of some 5,470 square miles. Federal employees and independent contractors are employed at NNSS.

Development Activity

The Nevada Development Authority (“NDA”) is a nonprofit organization dedicated to the expansion and diversification of the entire southern Nevada community. Now in its fifth decade of service, NDA’s membership is comprised of hundreds of business-oriented individuals. NDA’s primary function is to provide information to companies considering relocation as well as to firms already doing business in southern Nevada. Nevada does not have corporate or personal income tax; inheritance or gift tax; unitary franchise on income; admission’s tax; inventory tax; chain-store tax; special intangible tax; or franchise tax, which attracts many businesses to the area. In 2015, the Nevada Legislature approved an annual commerce tax on businesses with a Nevada gross income exceeding \$4,000,000.

Complementing the area’s emphasis on economic diversification are the numerous business incentives unique to the State of Nevada. Competitive wage rates, an expanding labor force, low out-bound freight transportation costs to other prominent southwestern markets and a graduated schedule for payment of sales and use tax on new capital equipment combine to give business and industry an attractive advantage. The State also abates sales and use taxes on capital equipment for qualified relocating or expanding companies. Additional incentives include a customized job training program (Train Employees Now) as well as no corporate, personal or inventory taxes.

Utilities

Electric utility services are provided to the vast majority of southern Nevada residents by NV Energy (formerly Nevada Power Company, a stand-alone subsidiary of Sierra Pacific Resources) with headquarters in Las Vegas, Nevada, and natural gas is provided by Southwest Gas Corporation.

CenturyLink (formerly Embarq) is the largest provider of local telephone service to the greater Las Vegas area, including the smaller communities of Blue Diamond, Boulder City, Cal-Nev-Ari, Cottonwood Cove, Goodsprings, Jean, Laughlin, Mt. Charleston, Nelson, Primm and Searchlight.

Clean Air

The County is subject to various clean air requirements imposed by the federal government and enforced by the U.S. Environmental Protection Agency (“EPA”). These include carbon monoxide, dust and ozone concerns. The County has submitted a clean air plan for the Las Vegas Valley serious carbon monoxide (“CO”) nonattainment area and the EPA has issued a finding that the applicable standard has been met. The County must prepare a CO maintenance plan for EPA approval in order to be designated as a CO attainment area.

On April 30, 2004, the U.S. EPA published in the Federal Register nonattainment designations for the new 8-hour ozone standard, classifying Clark County as a Subpart 1 ozone nonattainment area. The classification requires Clark County to attain the 8-hour ozone standard no later than 2009. In December 2006, the District of Columbia circuit court vacated EPA's Phase I implementation rule, which contained the standards for Subpart 1 designated areas. The court's action remanded the rule back to EPA for further action. However, Clark County is currently in attainment with the ozone standard for the latest three-year average of the 4th highest reading (2004, 2005, 2006) and can demonstrate attainment through 2018. Therefore, the County is working with EPA on receiving a clean data finding and submission of an ozone maintenance plan. Clark County submitted the request to the EPA on June 7, 2007, and is awaiting their decision.

If the U.S. EPA disapproves a clean air plan, the County could face sanctions, including withholding federal funds for new transportation projects, and could include the diversion of federal funds to projects outside the Las Vegas valley until acceptable plans are approved. The County cannot predict the effect of a plan disapproval on highway and road projects or other possible effects of the withholding of federal funds or its effect on growth in the County. The nature and scope of these effects will depend, among other things, on the projects and the period of time for which funding is withheld.

Education

Clark County School District provides public education services to the residents of the County and enrolls approximately 68% of all school children in the State; it is the fifth largest school district in the United States. Higher education is provided by numerous private institutions and also by the following public institutions, which are part of the Nevada System of Higher Education: the College of Southern Nevada (a two-year institution), Nevada State College in Henderson (a four-year institution) and the University of Nevada, Las Vegas (a four-year university).

TAX MATTERS

Federal Tax Matters

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

The Tax Code imposes several requirements which must be met with respect to the 2017 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations). Certain of these requirements must be met on a continuous basis throughout the term of the 2017 Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2017 Bonds; (b) limitations on the extent to which proceeds of the 2017 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2017 Bonds above the yield on the 2017 Bonds to be paid to the United States Treasury. The District will covenant and represent in the Bond Resolutions that it will take all steps to comply with the requirements of the Tax Code to the extent necessary to maintain the exclusion of interest on the 2017 Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under federal income tax laws in effect when the 2017 Bonds are delivered. Bond Counsel's opinion as to the exclusion of interest on the 2017 Bonds from gross income and alternative minimum taxable income (to the extent described above) is rendered in

reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the 2017 Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the District and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

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

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

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

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2017 Bonds. If an audit is commenced, the market value of the 2017 Bonds may be adversely affected. Under current audit procedures the Service will treat the District as the taxpayer and the 2017 Bonds owners may have no right to participate in such

procedures. The District has covenanted in the Bond Resolutions not to take any action that would cause the interest on the 2017 Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income for the owners thereof for federal income tax purposes. None of the District, the SNWA, the Financial Advisors, the Initial purchasers, Bond Counsel or Special Counsel is responsible for paying or reimbursing any 2017 Bonds holder with respect to any audit or litigation costs relating to the 2017 Bonds.

State Tax Exemption

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

LEGAL MATTERS

Litigation

In the opinion of the District's General Counsel, there is no litigation or controversy of any nature now pending, or to the knowledge of the General Counsel threatened, (i) restraining or enjoining the issuance, sale, execution or delivery of the 2017 Bonds or (ii) in any way contesting or affecting the validity of the 2017 Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 2017 Bonds. Further, the General Counsel is of the opinion that current litigation facing the District will not materially affect the District's ability to perform its obligations to the owners of the 2017 Bonds.

The SNWA's legal counsel is of the opinion that there is no litigation, either pending or threatened which may materially affect the SNWA's financial condition or its ability to perform its obligations to the owners of the 2017 Bonds.

Approval of Certain Legal Proceedings

The approving opinions of Sherman & Howard L.L.C., as Bond Counsel, will be delivered with each series of the 2017 Bonds on the respective delivery dates of the 2017 Bonds. The form of each Bond Counsel opinion is attached to this Official Statement as Appendix F. The opinions will include a statement that the obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers delegated to it by the federal constitution, including bankruptcy. Greenberg Traurig, LLP, Las Vegas, Nevada has acted as Special Counsel to the District in connection with this Official Statement. Certain matters will be passed upon for the District by its General Counsel.

Police Power

The obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power and powers of taxation inherent in the sovereignty of the State, and to the exercise by the United States of the powers delegated to it by the federal constitution (including bankruptcy).

Sovereign Immunity

Pursuant to State statute (NRS 41.035), an award for damages in an action sounding in tort against the District may not include any amount as exemplary or punitive damages and is limited to

\$100,000 per cause of action. The limitation does not apply to federal actions brought under federal law and may not apply to actions in other states.

FINANCIAL ADVISORS

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

INDEPENDENT AUDITORS

The audited basic financial statements of the District and the SNWA as of and for the years ended June 30, 2016 and June 30, 2015, and the reports rendered thereon by Piercy Bowler Taylor & Kern, Las Vegas, Nevada, independent certified public accountants, Las Vegas, Nevada have been included in this Official Statement as Appendix A and Appendix B, respectively.

The audited basic financial statements of the District and SNWA, including the auditors reports thereon, are public documents and pursuant to State law, no consent from the auditors is required to be obtained prior to inclusion of the audited basic financial statements in this Official Statement. Since the date of its reports, Piercy Bowler Taylor & Kern has not been engaged to perform and has not performed any procedures on the basic financial statements addressed in those reports and also has not performed any procedures relating to this Official Statement.

RATINGS

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

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. There is no assurance that such ratings will continue for any given period of time after they are received or that they will not be revised upward or downward or withdrawn entirely if, in the judgment of the rating agencies, circumstances so warrant. Other than the District’s and SNWA’s obligations under the Disclosure Certificates, neither the District, the SNWA nor any of the Financial Advisors has undertaken any responsibility either to bring to the attention of the owners of the 2017 Bonds any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change or withdrawal of such ratings could have an adverse effect on the marketability and market price of the 2017 Bonds.

PUBLIC SALE

The District expects to offer the 2017 Bonds at public sale on February 14, 2017. See Appendix G - Official Notice of Bond Sale for 2017A Bonds and Appendix H – Official Notice of Bond Sale for 2017B Bonds.

OFFICIAL STATEMENT CERTIFICATION

The undersigned official of the District confirms and certifies that the execution and delivery of this Official Statement and its use in connection with the offering and sale of the 2017 Bonds have been duly authorized by the Board.

LAS VEGAS VALLEY WATER DISTRICT, NEVADA

By: _____
Treasurer

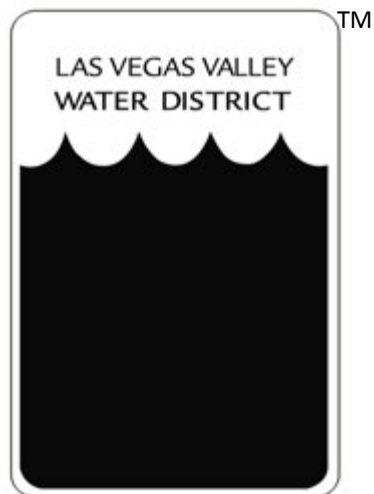
APPENDIX A

AUDITED BASIC FINANCIAL STATEMENTS OF LAS VEGAS VALLEY WATER DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE: The audited basic financial statements of the District included in this Appendix A have been excerpted from the District's CAFR for the fiscal year ended June 30, 2016. The table of contents, introductory section, individual fund budgetary statements, and other items referred to in the auditor's report attached hereto have purposely been excluded from this Official Statement. Such information provides supporting details and is not necessary for a fair presentation of the basic financial statements of the District. Other items contained in the CAFR also have been excluded from this Appendix A.

FINANCIAL SECTION

- **Independent Auditors' Report on Financial Statements and Supplementary Information**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**



INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors
Las Vegas Valley Water District
Las Vegas, Nevada

We have audited the accompanying financial statements of the Las Vegas Valley Water District (the District), a discretely presented component unit of Clark County, Nevada, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District'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 the District'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 the District'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 the District'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 the District 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.

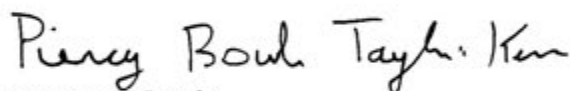
Other Matters. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability, schedule of defined benefit plan contributions, schedule of defined benefit plan investment returns and schedule of funding progress

postemployment benefit plan on pages 15-22 and 68-71 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 the District's basic financial statements. The introductory section 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 November 10, 2016, on our consideration of the District'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 the District's internal control over financial reporting and compliance.



Las Vegas, Nevada
November 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Las Vegas Valley Water District's (District) financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2016 and 2015. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

Fiscal Year 2016 Financial Highlights

- Operating income before depreciation expense in fiscal year 2016 increased to \$96.7 million from \$91.8 million in fiscal year 2015, an increase of \$4.9 million or 5.3%. Change in net position improved from \$10.6 million in fiscal year 2015 to \$25.6 million in fiscal year 2016, an improvement of \$15.0 million or 142.7%. A more detailed explanation of the changes in operating income before depreciation expense and change in net position can be found in the Fiscal Year 2016 Summary included in this Management's Discussion and Analysis.
- Unrestricted net position increased \$2.8 million or 3.1% to \$93.4 million in fiscal year 2016 from \$90.6 million in fiscal year 2015 following a \$22.2 million increase in net position on net investment in capital assets, a \$0.6 million increase in net position restricted for debt service, and the \$25.6 million change in net position.
- Net capital assets decreased \$7.2 million or 0.4% to \$1,691.3 million in fiscal year 2016 from \$1,698.5 million in fiscal year 2015 because net increase in accumulated depreciation (\$78.3 million) exceeded net increase in acquisition and construction of capital assets (\$71.1 million).
- Unrestricted cash/investments increased \$8.0 million or 3.7% to \$225.4 million in fiscal year 2016 from \$217.4 million in fiscal year 2015. Net cash flow from operations, investment earnings, and capital contributions continue to exceed disbursements for acquisition and construction of capital assets and debt service.

Overview of financial statements. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) a proprietary (enterprise) fund, 2) a fiduciary pension trust fund, and 3) notes to the basic financial statements. This report also contains supplementary and statistical information in addition to the basic financial statements.

Fund financial statements. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for specific activities or objectives. The District maintains two types of funds: a proprietary fund and a fiduciary pension trust fund.

Proprietary fund. The proprietary fund reports all of the District's operations, except pension activity. The operations are reported similar to a private-sector business enterprise. There are three components presented in the basic financial statements: 1) comparative statements of net position, 2) comparative statements of revenues, expenses and changes in net position, and 3) comparative statements of cash flows. These can be found on pages 23-26 of this report.

The comparative statements of net position present the District's assets and liabilities, with the difference reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The comparative statements of revenues, expenses and changes in net position outline how the District's net position has changed over time. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The statements of cash flows are the third basic financial statement for the proprietary fund. The primary purpose of the statements of cash flows is to provide relevant information about the District's cash receipts and cash payments; these are segregated among operating, capital and related financing, and investing activities.

Fiduciary pension trust fund. The fiduciary pension trust fund accounts for the assets, liabilities and changes in net assets of the District's defined benefit pension plan. The fiduciary fund is not reflected in the proprietary fund financial statement because fiduciary fund resources are not available to support District operations. The fiduciary pension trust fund is accounted for in essentially the same manner as the proprietary fund. The fiduciary pension trust fund financial statements can be found on pages 27-28 of this report.

A more detailed description of the plan, including additional details regarding benefits, calculations of average monthly compensation, the vesting schedule for benefits, the valuation date, actuarial cost method, asset valuation method (including the use of smoothing techniques) and other significant assumptions for the fiscal year ended June 30, 2016 can be found in Note 16 and in the Required Supplementary Information in the audited financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District's basic financial statements. The notes to the basic financial statements can be found on pages 29-67 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report includes required supplementary information describing the District's contributions to, and funding progress of, the pension plan for District employees. Also included is a schedule of funding progress for the District's postemployment benefits other than pensions. Required supplementary information can be found on pages 68-71 of this report.

Financial position. As noted earlier, the value remaining after the subtraction of the liabilities from the assets is net position that over time may serve as a useful indicator of financial condition. The following schedule provides an overview of the District's financial position for the fiscal years ended June 30, 2016, 2015 and 2014.

**CONDENSED COMPARATIVE STATEMENTS OF NET POSITION
PROPRIETARY (ENTERPRISE) FUND
(IN THOUSANDS)**

| | June 30, | | |
|--|---------------------|---------------------|---------------------|
| | 2016 | 2015 | 2014 |
| ASSETS | | | |
| Current and Other Assets | \$ 2,947,090 | \$ 2,457,842 | \$ 2,180,686 |
| Capital Assets, Net | <u>1,691,301</u> | <u>1,698,484</u> | <u>1,733,115</u> |
| Total Assets | 4,638,391 | 4,156,326 | 3,913,801 |
| DEFERRED OUTFLOW OF RESOURCES | <u>30,760</u> | <u>7,082</u> | <u>8,619</u> |
| Total Assets and Deferred Outflow of Resources | <u>\$ 4,669,151</u> | <u>\$ 4,163,408</u> | <u>\$ 3,922,420</u> |
| LIABILITIES | | | |
| Current Liabilities | \$ 656,705 | \$ 626,671 | \$ 593,714 |
| Noncurrent Liabilities | <u>3,011,856</u> | <u>2,574,340</u> | <u>2,279,874</u> |
| Total Liabilities | <u>3,668,561</u> | <u>3,201,011</u> | <u>2,873,588</u> |
| DEFERRED INFLOW OF RESOURCES | <u>20,320</u> | <u>7,723</u> | <u>870</u> |
| NET POSITION | | | |
| Net Investment in Capital Assets | 876,206 | 853,977 | 873,306 |
| Restricted for Debt Service/Capital Projects | 10,687 | 10,127 | 10,688 |
| Unrestricted | <u>93,377</u> | <u>90,570</u> | <u>163,966</u> |
| Total Net Position | <u>980,270</u> | <u>954,674</u> | <u>1,047,962</u> |
| Total Liabilities, Deferred Inflow of Resources and Net Position | <u>\$ 4,669,151</u> | <u>\$ 4,163,408</u> | <u>\$ 3,922,420</u> |

Most of the District's net position is in capital assets. Capital assets are extended and improved as needed to provide continuous and reliable water service while meeting the demands of growth. The District's net investment in capital assets was flat at 89% of total net position in the current and prior fiscal year and was 83% in fiscal year 2014. The current fiscal year is flat due to depreciation expense approximately equaling capital contributions and capital expenditures. The prior fiscal year increase is due to depreciation expense exceeding reduced capital contributions and capital expenditures along with a decrease to unrestricted net position resulting from the prior period adjustment due to the implementation of GASB 68.

For the current fiscal year, \$10.7 million of the District's net position was restricted for bond debt service and capital projects. For the prior fiscal year, \$10.1 million of the District's net position was restricted for bond debt service and capital projects. Bond debt service funds are restricted by bond covenants while sales tax revenue is restricted by enabling legislation for use related to capital projects. The remaining balance of net position is unrestricted and may be used for asset addition and replacement, debt retirement and other obligations.

The District maintains positive balances in all three components of net position and remains in a healthy financial condition.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY (ENTERPRISE) FUND
(IN THOUSANDS)**

| | Years Ended June 30, | | |
|---|----------------------|------------|--------------|
| | 2016 | 2015 | 2014 |
| Operating Revenues: | | | |
| Water Sales | \$ 334,838 | \$ 331,654 | \$ 333,852 |
| Other | 5,148 | 6,136 | 5,096 |
| Total Operating Revenues | 339,986 | 337,790 | 338,948 |
| Non-Operating Revenues | | | |
| Interest and Investment Revenue | 2,779 | 1,514 | 1,476 |
| Total Revenues Excluding Capital and Other Contributions | 342,765 | 339,304 | 340,424 |
| Operating Expenses: | | | |
| Purchased Water | 87,093 | 84,918 | 84,985 |
| Purchased Energy | 9,762 | 11,328 | 9,719 |
| Operation and Maintenance | 146,458 | 149,751 | 158,264 |
| Total Operating Expenses | 243,313 | 245,997 | 252,968 |
| Non-Operating Expenses/(Revenues) | | | |
| Interest Expense | 28,545 | 34,632 | 36,423 |
| Other | (703) | 1,906 | 3,063 |
| Total Non-Operating Expenses/(Revenues) | 27,842 | 36,538 | 39,486 |
| Depreciation Expense | 81,861 | 80,750 | 84,814 |
| Total Expenses | 353,016 | 363,285 | 377,268 |
| Loss Before Contributions | (10,251) | (23,981) | (36,844) |
| Capital and Other Contributions | 35,847 | 34,526 | 30,696 |
| Change in Net Position | 25,596 | 10,545 | (6,148) |
| Net Position, Beginning of the Year | 954,674 | 1,047,962 | 1,054,110 |
| Prior Period Adjustment of Net Pension Liability | - | (103,833) | - |
| Net Position, Beginning of the Year as Adjusted | - | 944,129 | - |
| Net Position, End of the Year | \$ 980,270 | \$ 954,674 | \$ 1,047,962 |

Results of operations

Fiscal Year 2016 Summary

Total operating revenues increased slightly to \$340.0 million in fiscal year 2016 from \$337.8 million in fiscal year 2015, an increase of \$2.2 million or 0.7%. Water sales revenue increased slightly to \$334.8 million in fiscal year 2016 from \$331.7 million in fiscal year 2015, an increase of \$3.1 million or 1.0%. Water consumption was 103.9 million gallons in fiscal year 2016 compared to 102.0 million gallons in fiscal year 2015, an increase of 1.9 million gallons or 1.9%. The number of active accounts increased to 381 thousand at June 30, 2016 from 373 thousand at June 30, 2015, an increase of 8 thousand active accounts or 2.1%. Since water rates are variable based upon usage and because of the emphasis placed upon conservation, it is possible for active accounts, usage and revenues to increase or decrease at different rates. Inspection/application fees decreased to \$2.4 million in fiscal year 2016 from \$3.6 million in fiscal year 2015, a decrease of \$1.2 million or 32.3%. Operating revenues at the Springs Preserve were the highest since opening in June 2007, increasing to \$2.7 million in fiscal year 2016 from \$2.5 million in fiscal year 2015, an increase of \$0.2 million or 8.2%.

Total operating expenses decreased to \$243.3 million in fiscal year 2016 from \$246.0 million in fiscal year 2015, a decrease of \$2.7 million or 1.1%. Purchased water expense increased to \$87.1 million in fiscal year 2016 from \$84.9 million in fiscal year 2015, an increase of \$2.2 million or 2.6%. This increase was primarily due to increased water consumption by customers. Purchased energy expense decreased to \$9.8 million in fiscal year 2016 from \$11.3 million in fiscal year 2015, a decrease of \$1.5 million or 13.8%. This decrease was primarily due to a decrease in both electricity expense and natural gas expense. Operations and maintenance expense decreased to \$146.5 million in fiscal year 2016 from \$149.8 million in fiscal year 2015, a decrease of \$3.3 million or 2.2%. This decrease resulted primarily from a decrease in materials and supplies expense of approximately \$2.3 million.

Depreciation expense increased by \$1.1 million or 1.4% to \$81.8 million in fiscal year 2016 from \$80.7 million in fiscal year 2015.

Interest expense decreased by \$6.1 million or 17.6% to \$28.5 million in fiscal year 2016 from \$34.6 million in fiscal year 2015. This decrease is primarily due to the refinancing of the District's Series 2005A general obligation refunding bonds and the District's Series 2006A general obligation refunding bonds at lower interest rates; and because principal payments reduced long-term debt in fiscal year 2016 compared to fiscal year 2015.

Other non-operating revenues (expenses) improved by \$2.6 million to \$0.7 million in fiscal year 2016 from (\$1.9 million) in fiscal year 2015. This is primarily due to a decrease in the loss on retirement of capital assets due to replacement of water meters and automatic meter reader devices.

Capital and other contributions increased by \$1.3 million or 3.8% to \$35.8 million in fiscal year 2016 from \$34.5 million in fiscal year 2015. This is primarily due to a decrease in facilities connection fees which decreased by \$4.4 million to \$13.2 million in fiscal year 2016 from \$17.6 million in fiscal year 2015; an increase in donated mains and services which increased by \$3.7 million to \$16.5 million in fiscal year 2016 from \$12.8 million in fiscal year 2015 and an increase in Springs Preserve capital contributions which increased by \$2.7 million to \$3.1 million in fiscal year 2016 from \$0.4 million in fiscal year 2015.

Change in net position was \$25.6 million in fiscal year 2016 which was an improvement of \$15.0 million or 142.7% from the change in net position of \$10.6 million in fiscal year 2015 primarily due to the above explanations.

Fiscal Year 2015 Summary

Total operating revenues decreased slightly to \$337.8 million in fiscal year 2015 from \$338.9 million in fiscal year 2014, a decrease of \$1.1 million or 0.3%. Water sales revenue slightly decreased to \$331.7 million in fiscal year 2015 from \$333.9 million in fiscal year 2014, a decrease of \$2.2 million or 0.7%. Water consumption was 102.0 million gallons in fiscal year 2015 compared to 102.3 million gallons in fiscal year 2014, a decrease of 0.3 million gallons or 0.3%. The number of active accounts increased to 373 thousand at June 30, 2015 from 367 thousand at June 30, 2014, an increase of 6 thousand active accounts or 1.5%. Since water rates are variable based upon usage and because of the emphasis placed upon conservation, it is possible for active accounts, usage and revenues to increase or decrease at different rates. As the economy in Southern Nevada continues to improve, inspection/application fees increased to \$3.6 million in fiscal year 2015 from \$2.8 million in fiscal year 2014, an increase of \$0.8 million or 28.5%. Although still significantly below the inspection/application fees collected in the mid-2000s, fiscal year 2015 inspection/application fees were the most collected since fiscal year 2007. Operating revenues at the Springs Preserve were the highest since opening in June 2007, increasing to \$2.5 million in fiscal year 2015 from \$2.3 million in fiscal year 2014, an increase of \$0.2 million or 8.3%.

Total operating expenses decreased to \$246.0 million in fiscal year 2015 from \$253.0 million in fiscal year 2014, a decrease of \$7.0 million or 2.8%. Purchased energy expense increased to \$11.3 million in fiscal year 2015 from \$9.7 million in fiscal year 2014, an increase of \$1.6 million or 16.6%. This increase was primarily due to an increase in both electricity expense and natural gas expense along with a slight reduction in the renewable energy credits received from solar generation. Operation and maintenance expense decreased to \$149.8 million in fiscal year 2015 from \$158.3 million in fiscal year 2014, a decrease of \$8.5 million or 5.4%. This decrease was due to a decrease in payroll and payroll related expenses of approximately \$6.3 million resulting primarily from a reduction in workforce that occurred in late fiscal year 2014 and a decrease in purchased services of approximately \$1.6 million.

Depreciation expense decreased by \$4.1 million or 4.8% to \$80.7 million in fiscal year 2015 from \$84.8 million in fiscal year 2014.

Interest expense decreased by \$1.8 million or 4.9% to \$34.6 million in fiscal year 2015 from \$36.4 million in fiscal year 2014. This decrease is primarily because principal payments reduced long-term debt in fiscal year 2015.

Other non-operating revenues (expenses) improved by \$1.2 million or 37.8% to (\$1.9 million) in fiscal year 2015 from (\$3.1 million) in fiscal year 2014. This is primarily due to a decrease in the loss on retirement of capital assets due to replacement of water meters and automatic meter reader devices.

Capital contributions increased by \$3.8 million or 12.5% to \$34.5 million in fiscal year 2015 from \$30.7 million in fiscal year 2014. This is primarily due to an increase in facilities connection fees which increased by \$6.6 million to \$17.6 million in fiscal year 2015 from \$11.0 million in fiscal year 2014; a decrease in donated mains and services which decreased by \$0.9 million to \$12.8 million in fiscal year 2015 from \$13.7 million in fiscal year 2014; and a decrease in Springs Preserve capital contributions which decreased by \$1.5 million to \$0.4 million in fiscal year 2015 from \$1.9 million in fiscal year 2014.

Change in net position was \$10.6 million in fiscal year 2015 which was an improvement of \$16.7 million from the change in net position of (\$6.1 million) in fiscal year 2014 primarily due to the above explanations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets on June 30, 2016 was \$1.7 billion (net of accumulated depreciation). Capital asset investments include land, collecting and impounding reservoirs, pumping stations and equipment, transmission and distribution mains, service pipes from the distribution mains to customer meters, and transportation and office equipment. Additional information on the types and values of the District's capital assets can be found in Notes 1 and 2 to the basic financial statements of this report.

The District's ongoing capital improvements expenditures are funded with bond proceeds, state revolving fund loan proceeds, revenues and/or operating reserves, and consist of new pumping stations, reservoirs and wells, land acquisition, new water pipelines and recycled water distribution system facilities. Total ongoing capital improvements funded with bond proceeds and state revolving fund loan proceeds in fiscal year 2016 were \$14.9 million, net of current and prior period reimbursements. Total contract commitments were \$2.5 million at June 30, 2016.

Significant ongoing capital improvements expenditures during the current fiscal year include the following:

- **Fayle Water Facility Improvements.** State Revolving Fund loan expenditures in fiscal year 2016 were \$12.2 million. Contract commitments at June 30, 2016 were \$1.8 million.
- **Service Line Replacements.** Bond fund expenditures in fiscal year 2016 were \$1.0 million. There were no contract commitments at June 30, 2016.
- **Automatic Meter Reading/Meter Replacement Program.** Bond fund expenditures in fiscal year 2016 were \$2.2 million. There were no contract commitments at June 30, 2016.

Long-term debt. At the end of fiscal year 2016, the District had total bond debt outstanding of \$2.9 billion, \$2.1 billion of which is secured by pledged revenue of the SNWA that does not affect the District's financial position. All but \$1.2 million of the debt is general obligation debt. The District issued a \$2.5 million Subordinate Lien Revenue Clean Renewable Energy Bond (CREB) in fiscal year 2009, which is a tax-credit bond in which the holder realizes a tax-credit in lieu of or in addition to an interest payment.

As of June 30, 2016, Moody's rates the District's general obligation bonds, including advanced refunded bonds in escrow, Aa1 and Standard & Poor's rates them AA. No rating was requested on the \$2.5 million CREB revenue bond.

See Note 4, Long-Term Debt, for more information on long-term debt.

Economic factors and next year's budget. The Southern Nevada economy continued to experience growth during fiscal year 2016. New service applications increased to 7,726 applications in calendar year 2015, from 6,031 applications in calendar year 2014. The number of active customer accounts increased by 7,711 accounts or 2.1% to 380,791 active accounts as of June 30, 2016 from 373,080 active accounts as of June 30, 2015. The District projects continued modest growth for fiscal year 2017.

To ensure water supplies remain available, the District, SNWA and its other member agencies have implemented a number of initiatives. These efforts include water-conservation programs, securing additional water resources and banking unused resources. Water conservation efforts have been particularly effective. Over the last 10 years, the District's average monthly water use for residential single-services declined by 18%.

Over the last 15 years, the Colorado River Basin has experienced one of the worst droughts on record, which has affected Lake Powell's and Lake Mead's reservoir levels. As of September 26, 2016, reservoir storage levels at Lake Powell and Lake Mead were at 53% and 37% of capacity, respectively. Lake Mead's surface elevation was down approximately 141 feet from its pre-drought conditions. Because of the "V" shape of Lake Mead, this results in a 60% reduction in water levels over the indicated time period. Should the drought continue and reservoir levels continue to decline, the Lower Basin States (including Nevada) could see their basic apportionment of the Colorado River water curtailed in future years.

The fiscal year 2017 budget projects \$54.1 million in capital expenditures which includes the continuation of the rehabilitation of the Fayle Reservoir. This facility was built in 1968 and placed in service in 1971. The reservoir will be structurally rehabilitated to meet current standards. Also included in next year's budget is a multi-site large backflow installations project, a large meter replacement project and various main replacements.

Requests for information. This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Office of the Chief Financial Officer, Las Vegas Valley Water District, 1001 South Valley View Blvd, Las Vegas, NV 89153 (telephone number 702-258-3106). This report is also available on our Website: http://www.lvwd.com/about/financial_cafr.html.

**LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY (ENTERPRISE) FUND
JUNE 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------------|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Unrestricted assets: | | |
| Cash and cash equivalents | \$ 66,260,363 | \$ 59,358,732 |
| Investments | 159,192,448 | 158,080,054 |
| Interest receivable | 337,305 | 275,354 |
| Accounts receivable, net of allowance for doubtful accounts | 66,060,435 | 61,706,070 |
| Inventories and prepaid expenses | 20,296,301 | 18,645,220 |
| Restricted assets: | | |
| Cash and cash equivalents | 11,545,770 | 11,524,932 |
| Investments | 61,995,224 | 59,919,313 |
| Due from related party | 474,769,176 | 450,462,198 |
| Total current assets | <u>860,457,022</u> | <u>819,971,873</u> |
| NONCURRENT ASSETS | | |
| Other assets | 59,407 | 47,725 |
| Due from related party, unrestricted | 82,208,793 | 69,147,798 |
| Due from related party, restricted | 2,004,365,000 | 1,568,675,000 |
| Total noncurrent assets, excluding capital assets | <u>2,086,633,200</u> | <u>1,637,870,523</u> |
| Capital assets: | | |
| Property and equipment | 2,905,990,548 | 2,864,852,109 |
| Less accumulated depreciation | (1,260,299,320) | (1,182,046,044) |
| | 1,645,691,228 | 1,682,806,065 |
| Construction in progress | 45,610,262 | 15,677,478 |
| Total capital assets, net | <u>1,691,301,490</u> | <u>1,698,483,543</u> |
| Total noncurrent assets | <u>3,777,934,690</u> | <u>3,336,354,066</u> |
| TOTAL ASSETS | <u>4,638,391,712</u> | <u>4,156,325,939</u> |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred amount related to bond refundings | 1,324,803 | 1,446,159 |
| Deferred amount related to pension | 29,434,922 | 5,636,135 |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | <u>30,759,725</u> | <u>7,082,294</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES | <u><u>\$ 4,669,151,437</u></u> | <u><u>\$ 4,163,408,233</u></u> |

(Continued)

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

LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF NET POSITION
PROPRIETARY (ENTERPRISE) FUND
JUNE 30, 2016 AND 2015
(Continued)

| | <u>2016</u> | <u>2015</u> |
|---|-------------------------|-------------------------|
| LIABILITIES AND NET POSTION | | |
| CURRENT LIABILITIES | | |
| Accounts payable and other accrued liabilities | \$ 72,932,659 | \$ 70,700,128 |
| Service installation deposits | 736,642 | 717,342 |
| Customer advances for construction | 4,950,939 | 5,380,032 |
| Payroll and related liabilities | 36,518,726 | 33,465,386 |
| Current portion of bonds payable | 27,808,000 | 27,918,000 |
| Current portion of bonds payable, related party | 62,095,000 | 43,980,000 |
| Commercial paper payable, related party | 400,000,000 | 400,000,000 |
| Accrued bond interest | 7,194,618 | 6,625,090 |
| Accrued state revolving fund loan interest | 32,262 | 17,116 |
| Accrued debt interest, related party | 12,674,176 | 6,482,198 |
| Construction contracts payable | 713,330 | 293,819 |
| Customer guarantee deposits | 23,392,934 | 22,112,156 |
| Agency account | 1,613,062 | 1,631,403 |
| Advance from related party | 6,042,999 | 7,348,255 |
| Total current liabilities | <u>656,705,347</u> | <u>626,670,925</u> |
| NONCURRENT LIABILITIES | | |
| Net pension liability | 203,491,989 | 171,425,892 |
| Liability for postemployment benefits other than pension | 16,381,009 | 15,144,631 |
| Unearned revenue | 1,718,873 | 1,847,214 |
| Bonds payable, net of current portion | 782,209,432 | 815,949,112 |
| State revolving fund loan | 3,689,827 | 1,298,309 |
| Bonds payable, related party, net of current portion | 2,004,365,000 | 1,568,675,000 |
| Total noncurrent liabilities | <u>3,011,856,130</u> | <u>2,574,340,158</u> |
| TOTAL LIABILITIES | <u>3,668,561,477</u> | <u>3,201,011,083</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred amount related to bond refundings | 6,402,623 | 4,274,574 |
| Deferred amount related to pension | 2,901,157 | 3,448,545 |
| Deferred amount - related party | 11,016,172 | - |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>20,319,952</u> | <u>7,723,119</u> |
| NET POSITION | | |
| Net investment in capital assets | 876,206,238 | 853,976,982 |
| Restricted for debt service | 10,539,353 | 9,995,073 |
| Restricted for capital projects | 147,013 | 132,404 |
| Unrestricted | 93,377,404 | 90,569,572 |
| TOTAL NET POSITION | <u>980,270,008</u> | <u>954,674,031</u> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | | |
| | <u>\$ 4,669,151,437</u> | <u>\$ 4,163,408,233</u> |

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

LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY (ENTERPRISE) FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|------------------------------|------------------------------|
| OPERATING REVENUES | | |
| Water sales | \$ 334,838,222 | \$ 331,653,871 |
| Inspection/application fees | 2,443,875 | 3,612,475 |
| Springs Preserve | 2,643,382 | 2,443,004 |
| Other | 60,910 | 81,075 |
| Total operating revenues | <u>339,986,389</u> | <u>337,790,425</u> |
| OPERATING EXPENSES | | |
| Purchased water | 87,093,101 | 84,918,440 |
| Purchased energy | 9,761,793 | 11,328,302 |
| Operation and maintenance | 146,457,928 | 149,750,677 |
| Total operating expenses | <u>243,312,822</u> | <u>245,997,419</u> |
| OPERATING INCOME BEFORE DEPRECIATION EXPENSE | 96,673,567 | 91,793,006 |
| Depreciation expense | <u>(81,861,319)</u> | <u>(80,750,035)</u> |
| OPERATING INCOME | <u>14,812,248</u> | <u>11,042,971</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest expense | (28,545,553) | (34,632,256) |
| Interest and investment revenue, unrestricted | 2,577,164 | 1,265,650 |
| Interest and investment revenue, restricted | 202,125 | 248,210 |
| Other | 702,547 | (1,905,908) |
| Total non-operating revenues (expenses) | <u>(25,063,717)</u> | <u>(35,024,304)</u> |
| LOSS BEFORE CONTRIBUTIONS | (10,251,469) | (23,981,333) |
| Capital contributions | <u>35,847,446</u> | <u>34,526,142</u> |
| CHANGE IN NET POSITION | <u>25,595,977</u> | <u>10,544,809</u> |
| NET POSITION, BEGINNING OF THE YEAR | 954,674,031 | 1,047,961,519 |
| PRIOR PERIOD ADJUSTMENT OF NET PENSION LIABILITY | <u>-</u> | <u>(103,832,297)</u> |
| NET POSITION, BEGINNING OF THE YEAR AS ADJUSTED | <u>954,674,031</u> | <u>944,129,222</u> |
| NET POSITION, END OF THE YEAR | <u><u>\$ 980,270,008</u></u> | <u><u>\$ 954,674,031</u></u> |

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

**LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF CASH FLOWS
PROPRIETARY (ENTERPRISE) FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 338,822,158 | \$ 339,680,236 |
| Cash payments to suppliers for goods and services | (122,153,288) | (122,973,636) |
| Cash payments for salaries and benefits | (112,002,882) | (113,750,402) |
| Other cash receipts | 552,235 | 1,175,652 |
| Other cash payments | (6,291) | (5,956) |
| Net cash provided by operating activities | 105,211,932 | 104,125,894 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and construction of capital assets | (60,578,210) | (38,256,811) |
| Capital contributed for construction | 19,170,690 | 24,225,809 |
| Proceeds from sale of property and equipment | 400,529 | 279,239 |
| Proceeds of bond sale | 124,215 | 262,727 |
| Proceeds of State Revolving Fund Loan | 2,391,518 | 1,298,309 |
| Bond issue costs | (108,437) | (245,373) |
| State Revolving Fund Loan Issue Costs | - | (102,530) |
| Principal paid on bonds | (27,918,000) | (28,618,000) |
| Interest paid | (32,304,925) | (35,945,206) |
| Interest rebate | 1,413,917 | 1,399,082 |
| Construction deposits | (409,793) | (102,643) |
| Net cash used in capital and related financing activities | (97,818,496) | (75,805,397) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investment securities | (165,420,385) | (171,690,939) |
| Proceeds from sales and redemptions of investment securities | 162,530,166 | 107,852,547 |
| Interest income on investments | 2,419,252 | 2,598,098 |
| Net cash used in investing activities | (470,967) | (61,240,294) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 6,922,469 | (32,919,797) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 70,883,664 | 103,803,461 |
| UNRESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR | 11,545,770 | 59,358,732 |
| RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR | 66,260,363 | 11,524,932 |
| TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 77,806,133 | \$ 70,883,664 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| OPERATING INCOME | \$ 14,812,248 | \$ 11,042,971 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation expense | 81,861,319 | 80,750,035 |
| Changes in assets and liabilities: | | |
| (Increase)/Decrease in accounts receivable | (2,337,178) | 1,712,807 |
| (Increase)/Decrease in inventories and prepaid expenses | (1,651,081) | 367,803 |
| Increase in accounts payable for operations | 846,631 | 5,266,050 |
| Increase in payroll and other accrued liabilities | 11,225,871 | 3,928,519 |
| Decrease in unearned revenue for operations | (30,912) | (30,912) |
| Other | 485,034 | 1,088,621 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 105,211,932 | \$ 104,125,894 |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | |
| Capital asset contributions | \$ 16,676,756 | \$ 10,300,333 |
| Change in fair value of investments | 298,086 | (275,357) |
| Bond issuance costs deducted from bond proceeds | (182,271) | (202,012) |
| Refunding bonds issued plus premium | 127,981,602 | 198,543,739 |
| Bonds refunded plus premium plus unamortized deferred gain | (130,172,462) | (201,547,589) |
| Deferred gain on refunded bonds | 2,497,347 | 3,477,589 |
| Debt issued on behalf of related party | 497,785,000 | 552,165,000 |

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

**LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION
PENSION TRUST FUND
JUNE 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|------------------------------------|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Cash and Cash Equivalents: | | |
| Money market funds | \$ 1,157,413 | \$ 2,175,209 |
| Investments at contract value: | | |
| Insurance account and contracts | 4,647,456 | 3,276,824 |
| Investments at fair value: | | |
| Domestic equity funds | 179,995,447 | 173,214,365 |
| Domestic bond funds | 88,870,824 | 77,305,448 |
| International equity fund | 44,956,271 | 43,811,183 |
| Global REIT | 11,215,646 | 9,475,218 |
| | <u>325,038,188</u> | <u>303,806,214</u> |
| Total investments | 330,843,057 | 309,258,247 |
| Accrued interest receivable | 91,869 | 58,696 |
| Total assets | <u>\$ 330,934,926</u> | <u>\$ 309,316,943</u> |
| <u>NET POSITION</u> | | |
| Held in trust for pension benefits | <u>\$ 330,934,926</u> | <u>\$ 309,316,943</u> |

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

**LAS VEGAS VALLEY WATER DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| <u>ADDITIONS</u> | | |
| Employer contributions | \$ 29,414,230 | \$ 28,853,341 |
| Employee contributions | 217,031 | 1,595,551 |
| Total contributions | <u>29,631,261</u> | <u>30,448,892</u> |
| Investment earnings: | | |
| Interest | 195,317 | 159,412 |
| Net change in fair value of investments | <u>3,903,193</u> | <u>13,539,166</u> |
| Total investment earnings | 4,098,510 | 13,698,578 |
| Less investment expense | <u>(114,938)</u> | <u>(109,462)</u> |
| Net investment earnings | <u>3,983,572</u> | <u>13,589,116</u> |
| Total additions | <u>33,614,833</u> | <u>44,038,008</u> |
| <u>DEDUCTIONS</u> | | |
| Administrative and general | 370,847 | 370,040 |
| Benefits | <u>11,626,003</u> | <u>8,227,184</u> |
| Total deductions | <u>11,996,850</u> | <u>8,597,224</u> |
| Net increase | 21,617,983 | 35,440,784 |
| <u>NET POSITION</u> | | |
| Beginning of year | 309,316,943 | 273,876,159 |
| End of year | <u>\$ 330,934,926</u> | <u>\$ 309,316,943</u> |

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

LAS VEGAS VALLEY WATER DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Las Vegas Valley Water District (District) are prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as defined by the Governmental Accounting Standards Board (GASB), the independent and ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The significant accounting and reporting policies for the District are discussed below.

Reporting Entity

The District is a quasi-municipal corporation created 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. Because the Clark County Board of Commissioners serves as the District's Board of Directors (Board), and the exclusion of the District's financial statements would render the financial statements of Clark County incomplete, the District is included as a discretely (separately) presented component unit within the Clark County Comprehensive Annual Financial Report. For purposes of these financial statements, the District is the reporting entity.

Fund Accounting

The District's financial report presents the activities of the District on a fund basis. In governmental accounting, a fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. The District uses two types of funds: a proprietary (enterprise) fund and a fiduciary (pension trust) fund.

Proprietary (Enterprise) Fund

Except for pension activity, the proprietary (enterprise) fund accounts for all of the District's operations, similar to a commercial enterprise, using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred. The District adheres to all applicable financial accounting and reporting standards of the GASB. The intent of the District is to establish water rates sufficient to provide for payment of general operations and maintenance expenses, as well as required debt service. Typically, unrestricted resources are used first for all expenditures, followed by reimbursement from restricted resources when appropriate. When both restricted and unrestricted resources are available for the same expenditure, restricted resources are generally used first.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues include revenues derived from water sales, water related activities and the Springs Preserve. Operating expenses include all expenses applicable to the furnishing of these services. Non-operating revenues and expenses include revenues and expenses not associated with the District's normal business of supplying water or with the Springs Preserve.

Included in operating revenues are regional connection fees, regional commodity charges and infrastructure charges. These regional revenues are offset in operating expenses by equivalent contributions to the Southern Nevada Water Authority (SNWA), a related party.

To avoid a "grossing-up" effect on operating revenues and operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position, revenue collected for the SNWA is offset against the related remittances to the SNWA. Any remaining balance is classified as an operating expense and adjusted in a following period.

Operating revenues do not include discounts and allowances. Operating expenses (and work-in-progress accounts) include allocations for indirect costs. These indirect costs include payroll taxes and employee benefits, which are initially charged to administrative and general expense accounts, but reported only in the accounts to which they are allocated. Depreciation expense is reported separately from operating expenses, but it is a subcategory of operating expenses.

Non-operating revenues and expenses include interest and investment income and expense, and other peripheral activities. Although capital contributions, as well as extraordinary items, if any, are shown separately, they are subcategories of non-operating revenues and expenses.

Fiduciary Pension Trust Fund and Pension Account

The fiduciary pension trust fund accounts for the assets, liabilities, and changes in net position of the District's defined benefit pension plan in accordance with GASB Statements No. 67, 68, and 71. The fiduciary pension trust fund is accounted for in essentially the same manner as the proprietary (enterprise) fund using the same measurement focus and basis of accounting.

Retiree benefits not accounted for in the fiduciary pension trust fund were purchased through annuity contracts funded in a contractual allocated Pension Account with an insurance company through December 31, 2013. Beginning January 1, 2014, retiree benefits are paid by the fiduciary pension trust fund account by a large multi-national bank and are accounted for in the fiduciary pension trust fund. The assets and liabilities of the Pension Account are not recorded on the District's books.

Postemployment Benefits Other Than Pensions (OPEB)

Effective July 1, 2007, the District implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The OPEB plan is administered by the District and not by a trust or equivalent arrangement.

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents consist of cash on hand and interest-bearing bank deposits. No investments are considered cash equivalents regardless of liquidity or maturity. The total carrying amount of District cash on hand and on deposit was \$77.8 million, as of June 30, 2016 and \$70.9 million as of June 30, 2015. As of June 30, 2016, bank balances were \$79.2 million. As of June 30, 2015, bank balances were \$70.1 million. The District often carries cash and cash equivalents on deposit with a financial institution in excess of federally-insured limits. The financial institution pledges sufficient collateral with the Nevada State Treasurer for all amounts which exceed the applicable FDIC insurance. The financial institution pledges only AAA rated securities to secure the deposits.

Investments, with the exception of certain pension investments, are reported at fair value and consist of bank certificates of deposit, U.S. treasury notes, U.S. Government sponsored agency obligations, and municipal bonds. Pension assets (Note 16) are comprised of equity and bond funds, a global real estate investment trust (REIT), insurance contracts, pooled accounts, and a money market account. The equity and bond funds, global REIT and the money market account are stated at fair value, measured by underlying market value as reported by the managing institutions. Investments in the insurance contracts and pooled accounts are stated at contract value as determined by insurance companies according to the terms of the contracts. Excluded from pension assets are annuities purchased for retired employees or their beneficiaries from an insurance company with a financial strength rating of A++ by A.M. Best rating company.

Recharged Water

On January 1, 1993, the District and other purveyor members of the SNWA entered into a cooperative agreement for the District to store water in the Las Vegas Groundwater Basin. Since then, the District has recharged water into underground storage facilities and recorded the costs as water recharge inventory. Payments from other members for future use of banked water were recorded as unearned revenue.

In February 2006, the District and the other purveyor members terminated the 1993 agreement and agreed to the sale and transfer of approximately 290,000 acre-feet of banked water to the SNWA. The SNWA paid the District \$55.0 million and reimbursed the other members \$12.4 million.

Also in February 2006, the District entered into a cooperative agreement with the SNWA that provides, among other things, for the establishment of a groundwater bank to be operated by the District for benefit of the SNWA. The SNWA is to have an account in the groundwater bank that includes existing storage and water placed in storage by the District on behalf of the SNWA after January 1, 2006. The SNWA is expected to reimburse the District its costs for both placing water into storage and for withdrawing it.

In fiscal year 2016 and 2015, no recharged water revenue was recorded.

Inventories

Inventories consist primarily of materials and supplies stated at the lower of market or average cost.

Restricted Assets

Restricted assets include amounts due from the SNWA for the repayment of the District's notes and bonds whose proceeds were delivered to the SNWA (Notes 3 and 4). Restricted assets also include certain resources set aside to repay bond debt in accordance with bond covenants. Further, the District has restricted investments for major maintenance contingencies, customer security deposits, sales tax and oversized mains. Oversized mains are constructed to meet estimated future demands on the District's distribution system.

Capital Assets

Property and equipment are recorded at purchase or construction cost, except for certain facilities that were transferred to the District at approximate original cost less estimated accumulated depreciation. Developer donated facilities are recorded at engineering estimates of fair value at the time the assets are donated. Expenditures for improvements and betterments, including labor and indirect costs, are capitalized. The capitalization threshold is generally \$5,000 and an estimated useful life of three years following the date of acquisition. Capitalization thresholds generally are applied to individual capital assets rather than to groups of capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | |
|--|----------------|
| Transmission and distribution mains, reservoirs and services | 30 to 75 years |
| Buildings, wells, pumping facilities and meters | 20 to 30 years |
| Transportation and office equipment | 5 to 10 years |

Interest Expense and Income Capitalized

The District capitalizes interest expense as a component of the cost of construction in progress. Consistent with its policy, the District follows Financial Accounting Standards Board (FASB) Statement No. 34, as amended by Statement No. 62, and offsets capitalized interest cost with interest income related to unspent bond proceeds.

Interest expense and capitalized interest expense and income for fiscal years 2016 and 2015 were as follows:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Bond interest | \$ 29,191,546 | \$ 34,510,865 |
| Other interest expense | 6,291 | 5,955 |
| Total interest expense | 29,197,837 | 34,516,820 |
| Bond interest expense capitalized | (652,284) | 115,436 |
| Net interest expense | <u>\$ 28,545,553</u> | <u>\$ 34,632,256</u> |
| Interest income capitalized | | |
| Reduction of restricted interest income | <u>\$ -</u> | <u>\$ 87,088</u> |

During fiscal year 2015, bond interest expense capitalized was an increase to net interest expense because several long-term capital projects were terminated and capitalized bond interest expense was reversed.

Accumulated Unpaid Employee Benefits

Accumulated unpaid vacation and sick pay benefits are accrued based on the vested rights of the employees, using the accrual basis of accounting.

Capital Contributions

Capital contributions are contributions in cash to connect to the existing system and donations, or contributions in cash, services, or property from any person or governmental agency for the acquisition, relocation, improvement or construction of property, facilities, or equipment. Capital contributions include shared sales tax revenue received from the State of Nevada. The sales tax proceeds received are statutorily restricted for construction purposes in a rural area. Sales tax proceeds received in fiscal year 2016 were \$47,288 and in fiscal year 2015 were \$45,494. No distinction is made between property acquired through capital contributions and property purchased from funds received through operating channels. Depreciation is recorded and the property is retired in the appropriate manner.

Net Position

Net Position is displayed in three components:

- (1) *Net investment in capital assets*. This component represents the District's net position in its capital assets. It reflects the cost of capital assets, less accumulated depreciation and less the outstanding principal of related debt, excluding unspent proceeds.
- (2) *Restricted*. This component reflects the carrying value of assets, less related liabilities, that are restricted by law or by other externally imposed restrictions, such as bond covenants. Assets that are restricted only because of District imposed limitations are not included in the calculation.
- (3) *Unrestricted*. This component represents the remaining net position balance that is available to support District operations and capital asset acquisition/construction.

Legal Costs

The District 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.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statement No. 43, *Financial Reporting For Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. The District is currently evaluating how the adoption of Statement No. 74 will affect the District's financial position, results of operation or cash flow.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. The District is currently evaluating how the adoption of Statement No. 75 will affect the District's financial position, results of operation or cash flow.

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 District does not expect the adoption of Statement No. 77 to affect the District's financial position, results of operation or cash flow.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The District does not expect the adoption of Statement No. 80 to affect the District's financial position, results of operation or cash flow.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016 and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is the beneficiary of the agreement. The District does not expect the adoption of Statement No. 81 to affect the District's financial position, results of operation or cash flow.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and No. 73*, which is effective for fiscal years after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to address issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The District is currently evaluating how the adoption of Statement No. 82 will affect the District's financial position, results of operation and cash flow.

Other Reclassifications

Certain minor other reclassifications have been made in the fiscal year 2015 basic financial statements to conform to the fiscal year 2016 presentation.

Estimates

The preparation of financial statements in conformity with GAAP 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 from those estimates.

NOTE 2. CAPITAL ASSETS

For the year ended June 30, 2016, capital asset activity is as follows:

| | Balance June 30, 2015 | Additions and Adjustments | Retirements | Balance June 30, 2016 |
|---|----------------------------------|--------------------------------------|-----------------------------|----------------------------------|
| <u>Property and Equipment</u> | | | | |
| Capital Assets, not Depreciated, | | | | |
| Excluding Construction in Progress: | | | | |
| Land and Land Rights | <u>\$ 22,583,716</u> | <u>\$ 988,090</u> | <u>\$ -</u> | <u>\$ 23,571,806</u> |
| Capital Assets, Depreciated: | | | | |
| Organization Costs and Improvements | 1,648,018 | - | 4,375 | 1,643,644 |
| Collecting and Impounding Structures | 853,906,699 | 4,474,719 | - | 858,381,418 |
| Pumping Stations and Wells | 281,433,822 | 5,330,084 | - | 286,763,906 |
| Purification Equipment | 855,269 | - | - | 855,269 |
| Transmission/Distribution/Mains | 939,588,545 | 16,101,339 | - | 955,689,884 |
| Telemetry/Valves and Miscellaneous | 53,446,970 | 2,481,295 | 2,484 | 55,925,782 |
| Meters/Services | 553,794,755 | 12,531,383 | 3,185,624 | 563,140,514 |
| Office Furniture and Equipment | 109,303,304 | 1,973,544 | 74,860 | 111,201,987 |
| Transportation/Work/Equipment | <u>48,291,012</u> | <u>2,469,252</u> | <u>1,943,925</u> | <u>48,816,339</u> |
| Total Capital Assets, Being Depreciated | <u>2,842,268,393</u> | <u>45,361,618</u> | <u>5,211,266</u> | <u>2,882,418,744</u> |
| Total Capital Assets, Excluding | | | | |
| Construction in Progress | 2,864,852,109 | 46,349,708 | 5,211,266 | 2,905,990,548 |
| Construction in Progress | <u>15,677,478</u> | <u>54,184,104</u> | <u>24,251,320</u> | <u>45,610,262</u> |
| Total | <u>2,880,529,587</u> | <u>100,533,812</u> | <u>29,462,586</u> | <u>2,951,600,810</u> |
| <u>Accumulated Depreciation</u> | | | | |
| Organization Costs and Improvements | 1,494,814 | 31,246 | 4,375 | 1,521,685 |
| Collecting and Impounding Structures | 402,110,919 | 33,376,922 | - | 435,487,841 |
| Pumping Stations and Wells | 165,866,373 | 11,133,654 | - | 177,000,027 |
| Purification Equipment | 585,990 | 30,962 | - | 616,952 |
| Transmission/Distribution/Mains | 215,032,138 | 12,728,521 | - | 227,760,659 |
| Telemetry/Valves and Miscellaneous | 16,487,726 | 860,869 | 2,484 | 17,346,111 |
| Meters/Services | 235,740,936 | 19,103,119 | 1,582,399 | 253,261,655 |
| Office Furniture and Equipment | 101,910,306 | 2,318,154 | 74,860 | 104,153,599 |
| Transportation/Work/Equipment | <u>42,816,842</u> | <u>2,277,874</u> | <u>1,943,925</u> | <u>43,150,790</u> |
| Total | <u>1,182,046,044</u> | <u>81,861,321</u> | <u>3,608,043</u> | <u>1,260,299,320</u> |
| Total Capital Assets, net | <u>\$ 1,698,483,543</u> | <u>\$ 18,672,492</u> | <u>\$ 25,854,543</u> | <u>\$ 1,691,301,490</u> |

*Balances may not total due to rounding.

For the year ended June 30, 2015, capital asset activity is as follows:

| | <u>Balance</u> <u>June 30, 2014</u> | <u>Additions and</u> <u>Adjustments</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2015</u> |
|---|--|--|----------------------|--|
| <u>Property and Equipment</u> | | | | |
| Capital Assets, not Depreciated, Excluding Construction in Progress: | | | | |
| Land and Land Rights | \$ 22,583,716 | \$ - | \$ - | \$ 22,583,716 |
| Capital Assets, Depreciated: | | | | |
| Organization Costs and Improvements | 1,648,018 | - | - | 1,648,018 |
| Collecting and Impounding Structures | 846,666,044 | 7,249,978 | 9,323 | 853,906,699 |
| Pumping Stations and Wells | 273,960,482 | 7,473,340 | - | 281,433,822 |
| Purification Equipment | 855,269 | - | - | 855,269 |
| Transmission/Distribution/Mains | 931,074,097 | 8,514,448 | - | 939,588,545 |
| Telemetry/Valves and Miscellaneous | 52,696,792 | 750,178 | - | 53,446,970 |
| Meters/Services | 540,046,008 | 22,784,502 | 9,035,755 | 553,794,755 |
| Office Furniture and Equipment | 123,202,660 | 2,453,972 | 16,353,328 | 109,303,304 |
| Transportation/Work/Equipment | 45,837,232 | 3,723,295 | 1,269,514 | 48,291,012 |
| Total Capital Assets, Being Depreciated | 2,815,986,601 | 52,949,712 | 26,667,920 | 2,842,268,393 |
| Total Capital Assets, Excluding | | | | |
| Construction in Progress | 2,838,570,317 | 52,949,712 | 26,667,920 | 2,864,852,109 |
| Construction in Progress | 17,830,071 | 38,616,818 | 40,769,411 | 15,677,478 |
| Total | 2,856,400,388 | 91,566,530 | 67,437,331 | 2,880,529,587 |
| <u>Accumulated Depreciation</u> | | | | |
| Organization Costs and Improvements | 1,463,568 | 31,246 | - | 1,494,814 |
| Collecting and Impounding Structures | 369,312,805 | 32,807,437 | 9,323 | 402,110,919 |
| Pumping Stations and Wells | 153,998,197 | 11,868,176 | - | 165,866,373 |
| Purification Equipment | 555,028 | 30,962 | - | 585,990 |
| Transmission/Distribution/Mains | 202,461,487 | 12,570,651 | - | 215,032,138 |
| Telemetry/Valves and Miscellaneous | 15,648,731 | 838,995 | - | 16,487,726 |
| Meters/Services | 221,501,662 | 18,596,222 | 4,356,949 | 235,740,936 |
| Office Furniture and Equipment | 115,959,331 | 2,304,303 | 16,353,328 | 101,910,306 |
| Transportation/Work/Equipment | 42,384,313 | 1,702,043 | 1,269,514 | 42,816,842 |
| Total | 1,123,285,125 | 80,750,035 | 21,989,114 | 1,182,046,044 |
| Total Capital Assets, net | \$ 1,733,115,263 | \$ 10,816,495 | \$ 45,448,217 | \$ 1,698,483,543 |

*Balances may not total due to rounding.

NOTE 3. SHORT-TERM DEBT

On March 10, 2004, the District began a Tax-Exempt Commercial Paper (TECP) program for the SNWA, authorizing a maximum of \$400.0 million in general obligation (limited tax) commercial paper notes (notes) supported by the SNWA revenues. Proceeds from the sale of the notes were used to fund the SNWA's capital expenditures, to purchase a 25% interest in the Silverhawk power plant, and to purchase water resources. The TECP program was most recently renegotiated on March 5, 2014, and is currently facilitated by letters of credit between the District, J. P. Morgan Chase, N.A., and Wells Fargo Bank, N.A. The termination date for each agreement is April 14, 2017. The District's commercial paper, comprised of 12 tranches ranging in size from \$6.6 million to \$150.0 million, is traded on the open market and subject to market interest fluctuations.

The notes have multiple interest rates, ranging from 0.42% to 0.49% with a 0.46% average rate. The notes matured in 2016 as follows: \$302.0 million in July and \$98.0 million in August. The District replaced the maturing notes with additional notes. Standard & Poor's rating is A-1+ and Moody's is P-1 based on ratings dated October 2013 and February 2011 respectively.

As of June 30, 2016 and 2015, the entire \$400.0 million principal balance was outstanding. Principal and accrued interest total \$400.2 million as of June 30, 2016. The liability for the notes and the receivable from the SNWA are shown in the basic financial statements of the District.

In fiscal years 2016 and 2015, other than interest payments on the notes and rollover of principal, the District had no short-term debt activity.

For the years ended June 30, 2016 and June 30, 2015, short-term debt activity is as follows:

| | 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 4. LONG-TERM DEBT

For the year ended June 30, 2016, long-term debt activity is as follows:

| | Balance June 30, 2015 | Additions | Reductions | Balance June 30, 2016 | Due Within One Year | Due After One Year |
|---------------------------------|--------------------------|-----------------------|-------------------------|--------------------------|------------------------|-------------------------|
| Bonds payable | \$ 794,824,000 | \$ 108,220,000 | \$ (154,603,000) | \$ 748,441,000 | \$ 27,808,000 | \$ 720,633,000 |
| Unamortized premium | 49,043,112 | 19,761,602 | (7,228,282) | 61,576,432 | - | 61,576,432 |
| Total bonds payable | 843,867,112 | 127,981,602 | (161,831,282) | 810,017,432 | 27,808,000 | 782,209,432 |
| State Revolving Fund Loan | 1,298,309 | 2,391,518 | - | 3,689,827 | - | 3,689,827 |
| Bonds payable, related party | 1,612,655,000 | 497,785,000 | (43,980,000) | 2,066,460,000 | 62,095,000 | 2,004,365,000 |
| Total long-term debt | <u>\$ 2,457,820,421</u> | <u>\$ 628,158,120</u> | <u>\$ (205,811,282)</u> | <u>\$ 2,880,167,259</u> | <u>\$ 89,903,000</u> | <u>\$ 2,790,264,259</u> |

For the year ended June 30, 2015, long-term debt activity is as follows:

| | Balance June 30, 2014 | Additions | Reductions | Balance June 30, 2015 | Due Within One Year | Due After One Year |
|---------------------------------|--------------------------|-----------------------|-------------------------|--------------------------|------------------------|-------------------------|
| Bonds payable | \$ 849,082,000 | \$ 172,430,000 | \$ (226,668,000) | \$ 794,824,000 | \$ 27,918,000 | \$ 766,906,000 |
| Unamortized premium | 35,202,516 | 26,104,739 | (12,264,143) | 49,043,112 | - | 49,043,112 |
| Total bonds payable | 884,284,516 | 198,534,739 | (238,952,143) | 843,867,112 | 27,918,000 | 815,949,112 |
| State Revolving Fund Loan | - | 1,298,309 | - | 1,298,309 | - | 1,298,309 |
| Bonds payable, related party | 1,428,120,000 | 552,165,000 | (367,630,000) | 1,612,655,000 | 43,980,000 | 1,568,675,000 |
| Total long-term debt | <u>\$ 2,312,404,516</u> | <u>\$ 751,998,048</u> | <u>\$ (606,582,143)</u> | <u>\$ 2,457,820,421</u> | <u>\$ 71,898,000</u> | <u>\$ 2,385,922,421</u> |

Bonds Secured by SNWA Pledged Revenue

As of June 30, 2016, the District had \$2,066.5 million outstanding general obligation bonds additionally secured by pledged revenue of the SNWA. The bond proceeds were delivered to the SNWA to finance water projects and to refund existing debt. The receivable from the SNWA, as well as the liability for the bonds, is shown on the basic financial statements of the District. As of June 30, 2016, bond principal and accrued interest total \$2,079.1 million, of which \$12.7 million represents accrued bond interest due within one year.

General Obligation Bond Covenants

Management believes that the District has complied with all legal requirements, limitations and restrictions of the bond covenants. Such covenants include minimum revenue requirements and maintenance of a bond service account.

After payment of the costs of operation, maintenance and general expenses of the District, excluding depreciation expense and including interest income on operating funds, the District is required to establish rates sufficient to provide annual "Revenues" equal to the average annual debt service, excluding bond debt secured by pledged revenue of the SNWA. Net revenue available for debt service for the year ended June 30, 2016 was sufficient to meet the requirements of the bond covenants.

The District is required to maintain a bond service account to ensure payment of interest and principal when due. For the outstanding bond issues, a transfer is made each month from revenue to provide for one-sixth of the next semiannual interest payment and one-twelfth of the annual bond maturities of each issue. At June 30, 2016 the bond service account balance of \$10.5 million met the scheduled requirement.

In-Substance Debt Defeasance and Deferred Balance

In prior years, the District issued bonds to advance refund various debt issues, resulting in the in-substance defeasance of the old debt. Proceeds from the new debt and other funds were placed into escrow and invested to pay principal and interest on the old debt at a future time. When the funds were put into escrow, the liability for the old debt was removed from the District's statement of net position. As of June 30, 2016, outstanding in-substance defeased debt totaled \$261.3 million.

For current refundings and advance refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the shortest term of the related debt obligations. At June 30, 2016, the aggregate unamortized deferred loss was \$1.3 million and the aggregate unamortized deferred gain was \$6.4 million.

Current Year Debt Issuances

On April 6, 2016, the District issued Series 2016A, \$497.8 million par value general obligation water improvement and refunding bonds additionally secured by SNWA pledged revenues, for a net premium of \$84.4 million and a true interest cost of 3.63%. The bonds were dated and delivered April 6, 2016. Proceeds of the bonds, less \$1.3 million to pay the costs of issuing the bonds, were (a) deposited into escrow to currently refund at 100% of par plus accrued interest \$60.2 million of the SNWA's Series 2006D State of Nevada general obligation refunding bonds and (b) used to acquire and construct water improvement projects for the SNWA. The average coupon rate of the 2006D refunded bonds is 4.92%.

On April 6, 2016, the District issued Series 2016B, \$108.2 million par value general obligation refunding bonds for a net premium of \$19.8 million and a true interest cost of 3.07%. The bonds were dated and delivered April 6, 2016. Proceeds of the bonds, less \$0.3 million to pay the costs of issuing the bonds, were deposited into escrow to currently refund at 100% of par plus accrued interest \$126.7 million of the District's Series 2006A general obligation refunding bonds. The average coupon rate of the 2006A refunded bonds is 4.91%.

The refunding of the Series 2006A bonds by the Series 2016B issue resulted in an accounting gain of \$2.5 million. Following GASB Statement No. 65, the District has deferred the accounting gain and will amortize it as a component of interest expense through fiscal year 2036. The District reduced its debt service payments through fiscal year 2036 by \$29.3 million and obtained a present value economic gain of \$23.0 million.

Because the liability for bonds additionally secured by pledged revenue of the SNWA are offset by an SNWA receivable, issuing the Series 2016A bonds had no effect on District operations or financial position.

Adjustable Rate Bonds

On July 20, 2006, the District issued \$75.0 million Adjustable Rate Bonds, Series 2006B and \$75.0 million Adjustable Rate Bonds, Series 2006C (2006B/C Bonds). Each series of the 2006B/C Bonds currently bear interest at a Daily Rate. While in the Daily Rate Mode, the interest rate for the 2006B/C Bonds is the rate of interest per annum determined by the applicable Remarketing Agent each Business Day as the minimum rate of interest that, in the opinion of the applicable Remarketing Agent, would, under then existing market conditions, result in the sale of the 2006B/C Bonds in the Daily Rate Mode on the Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any. At June 30, 2016, the interest rate for the 2006B/C Bonds was 0.59%. As required by GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, this rate was used to calculate future interest requirements for the 2006B/C Bonds outstanding as of June 30, 2016.

General obligation bonds and a subordinate lien revenue bond payable as of June 30, 2016:

GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS(REVENUE SUPPORTED).....

| | 2006B | 2006C | 2008A |
|----------------------------|---------------|---------------|-------------------|
| Date of issue | July 20, 2006 | July 20, 2006 | February 19, 2008 |
| Coupon interest rate | Variable | Variable | 5.00% |
| Interest payment dates | Monthly | Monthly | 8/1 and 2/1 |
| Principal payment date | June 1 | June 1 | February 1 |
| Original amount | \$ 75,000,000 | \$ 75,000,000 | \$ 190,760,000 |
| Redeemed as of 6/30/16 | (9,360,000) | (9,360,000) | (44,380,000) |
| Advance refunded | (2,900,000) | (2,900,000) | - |
| Outstanding as of 6/30/16 | 62,740,000 | 62,740,000 | 146,380,000 |
| Less current portion | (1,900,000) | (1,900,000) | (3,800,000) |
| Portion due after one year | \$ 60,840,000 | \$ 60,840,000 | \$ 142,580,000 |

*Continued***GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS****.....(REVENUE SUPPORTED).....**

| | 2008 CREB ¹ | 2010A BABS ² | 2010B |
|----------------------------|------------------------|-------------------------|-----------------|
| Date of issue | July 15, 2008 | June 15, 2010 | June 15, 2010 |
| Coupon interest rate | 1.30% | 5.60% to 5.70% | 2.00% to 4.625% |
| Interest payment dates | 9/15,12/15,3/15,6/15 | 9/1 and 3/1 | 9/1 and 3/1 |
| Principal payment date | December 15 | March 1 | March 1 |
| Original amount | \$ 2,520,000 | \$ 75,995,000 | \$ 31,075,000 |
| Redeemed as of 6/30/16 | (1,344,000) | - | (2,350,000) |
| Outstanding as of 6/30/16 | 1,176,000 | 75,995,000 | 28,725,000 |
| Less current portion | (168,000) | - | (825,000) |
| Portion due after one year | \$ 1,008,000 | \$ 75,995,000 | \$ 27,900,000 |
| | 2011D | 2012A | 2015A |
| Date of issue | October 19, 2011 | September 5, 2012 | June 1, 2015 |
| Coupon interest rate | 2.00% to 5.25% | 5.00% | 2.00% to 5.00% |
| Interest payment dates | 6/1 and 12/1 | 6/1 and 12/1 | 6/1 and 12/1 |
| Principal payment date | June 1 | June 1 | June 1 |
| Original amount | \$ 78,680,000 | \$ 39,310,000 | \$ 172,430,000 |
| Redeemed as of 6/30/16 | (16,180,000) | - | (11,775,000) |
| Outstanding as of 6/30/16 | 62,500,000 | 39,310,000 | 160,655,000 |
| Less current portion | (4,490,000) | - | (12,035,000) |
| Portion due after one year | \$ 58,010,000 | \$ 39,310,000 | \$ 148,620,000 |
| | 2016B | | |
| Date of issue | April 6, 2016 | | |
| Coupon interest rate | 2.50% to 5.00% | | |
| Interest payment dates | 6/1 and 12/1 | | |
| Principal payment date | June 1 | | |
| Original amount | \$ 108,220,000 | | |
| Redeemed as of 6/30/16 | - | | |
| Outstanding as of 6/30/16 | 108,220,000 | | |
| Less current portion | (2,690,000) | | |
| Portion due after one year | \$ 105,530,000 | | |

¹ 2008 CREB (Clean Renewable Energy Bond) subordinate lien revenue bond.

² BABS are Build America Bonds that provide for federal subsidy payments to the issuer as of each interest payment date, resulting in an effective interest rate of 3.731% for the 2010A Bonds and 4.674% for the 2009A Pledged SNWA Revenue Bonds. As a result of the federal budget cuts known as "sequestration," the federal subsidy payments for these bonds were reduced by 6.8% for fiscal year 2016.

STATE REVOLVING FUND LOAN
... ..(REVENUE SUPPORTED)...

| | State Revolving Fund Loan 2014 |
|----------------------------|-----------------------------------|
| Date of issue | December 1, 2014 |
| Coupon interest rate | 2.57% |
| Interest payment dates | 1/1 and 7/1 |
| Principal payment dates | 1/1 and 7/1 |
| Amount Available | \$ 20,000,000 |
| Amount Drawn as of 6/30/16 | 3,689,827 |
| Redeemed as of 6/30/16 | - |
| Outstanding as of 6/30/16 | 3,689,827 |
| Less current portion | - |
| Portion due after one year | \$ 3,689,827 |

GENERAL OBLIGATION BONDS – PLEDGED SNWA REVENUE
.....(REVENUE SUPPORTED).....

| | 2008B | 2009A BABS ¹ | 2009B |
|----------------------------|-------------------|-------------------------|----------------|
| Date of issue | February 19, 2008 | August 5, 2009 | August 5, 2009 |
| Coupon interest rate | 3.50% to 5.00% | 7.10% | 4.00% to 5.25% |
| Interest payment dates | 6/1 and 12/1 | 6/1 and 12/1 | 6/1 and 12/1 |
| Principal payment date | June 1 | June 1 | June 1 |
| Original amount | \$ 171,720,000 | \$ 90,000,000 | \$ 10,000,000 |
| Redeemed as of 6/30/16 | (13,900,000) | - | (1,095,000) |
| Advance refunded | (51,930,000) | - | - |
| Outstanding as of 6/30/16 | 105,890,000 | 90,000,000 | 8,905,000 |
| Less current portion | (8,420,000) | - | (395,000) |
| Portion due after one year | \$ 97,470,000 | \$ 90,000,000 | \$ 8,510,000 |

| | 2009D | 2011A | 2011B |
|----------------------------|-------------------|------------------|------------------|
| Date of issue | December 23, 2009 | May 26, 2011 | October 19, 2011 |
| Coupon interest rate | 4.25% to 5.25% | 3.051% to 5.434% | 2.789% to 4.958% |
| Interest payment dates | 6/1 and 12/1 | 6/1 and 12/1 | 6/1 and 12/1 |
| Principal payment date | June 1 | June 1 | June 1 |
| Original amount | \$ 71,965,000 | \$ 58,110,000 | \$ 129,650,000 |
| Redeemed as of 6/30/16 | (11,990,000) | (4,355,000) | (9,220,000) |
| Outstanding as of 6/30/16 | 59,975,000 | 53,755,000 | 120,430,000 |
| Less current portion | (3,385,000) | (4,400,000) | (9,475,000) |
| Portion due after one year | \$ 56,590,000 | \$ 49,355,000 | \$ 110,955,000 |

*Continued***GENERAL OBLIGATION BONDS – PLEDGED SNWA REVENUE****.....(REVENUE SUPPORTED).....**

| | 2011C | 2012B | 2015 |
|----------------------------|------------------|----------------|------------------|
| Date of issue | October 19, 2011 | July 31, 2012 | January 13, 2015 |
| Coupon interest rate | 2.00% to 5.00% | 3.00% to 5.00% | 4.00% to 5.00% |
| Interest payment dates | 6/1 and 12/1 | 6/1 and 12/1 | 6/1 and 12/1 |
| Principal payment date | June 1 | June 1 | June 1 |
| Original amount | \$ 267,815,000 | \$ 360,000,000 | \$ 332,405,000 |
| Redeemed as of 6/30/16 | (36,875,000) | (13,385,000) | - |
| Outstanding as of 6/30/16 | 230,940,000 | 346,615,000 | 332,405,000 |
| Less current portion | (10,115,000) | (7,060,000) | - |
| Portion due after one year | \$ 220,825,000 | \$ 339,555,000 | \$ 332,405,000 |

| | 2015B | 2015C | 2016A |
|----------------------------|----------------|----------------|----------------|
| Date of issue | June 1, 2015 | June 18, 2015 | April 6, 2016 |
| Coupon interest rate | 4.00% to 5.00% | 3.00% to 5.00% | 3.00% to 5.00% |
| Interest payment dates | 6/1 and 12/1 | 3/15 and 9/15 | 6/1 and 12/1 |
| Principal payment date | December 1 | September 15 | June 1 |
| Original amount | \$ 177,635,000 | \$ 42,125,000 | \$ 497,785,000 |
| Redeemed as of 6/30/16 | - | - | - |
| Outstanding as of 6/30/16 | 177,635,000 | 42,125,000 | 497,785,000 |
| Less current portion | (10,675,000) | (2,640,000) | (5,530,000) |
| Portion due after one year | \$ 166,960,000 | \$ 39,485,000 | \$ 492,255,000 |

¹ BABS are Build America Bonds that provide for federal subsidy payments to the issuer as of each interest payment date, resulting in an effective interest rate of 3.731% for the 2010A Bonds and 4.674% for the 2009A Pledged SNWA Revenue Bonds. As a result of the federal budget cuts known as “sequestration,” the federal subsidy payments for these bonds were reduced by 6.8% for fiscal year 2016.

As of June 30, 2016, annual requirements to retire outstanding bonds were as follows:

| Fiscal Years Ending | Number of Years | General Obligation (Revenue Supported) and Revenue Bonds ¹ | | State Revolving Fund Loan | | General Obligation Bonds (Pledged SNWA Revenue) | |
|---------------------------|-----------------------|---|-----------------------|------------------------------|---------------------|--|-------------------------|
| | | Principal | Interest | Principal | Interest | Principal | Interest |
| 2017 | 1 | \$ 27,808,000 | \$ 32,421,338 | \$ - | \$ 79,676 | \$ 62,095,000 | \$ 105,339,302 |
| 2018 | 1 | 29,803,000 | 30,606,312 | 87,223 | 94,829 | 70,035,000 | 99,020,301 |
| 2019 | 1 | 31,058,000 | 29,550,746 | 177,823 | 91,452 | 73,645,000 | 96,030,451 |
| 2020 | 1 | 32,583,000 | 28,234,600 | 182,422 | 86,852 | 76,960,000 | 92,709,278 |
| 2021 | 1 | 34,178,000 | 26,853,315 | 187,140 | 82,134 | 82,650,000 | 89,129,735 |
| 2026 | 5 | 197,971,000 | 110,442,880 | 1,010,861 | 335,511 | 461,055,000 | 381,997,884 |
| 2031 | 5 | 165,290,000 | 70,001,305 | 1,148,531 | 197,840 | 277,045,000 | 281,422,246 |
| 2036 | 5 | 161,785,000 | 36,957,627 | 895,827 | 46,633 | 371,825,000 | 212,544,465 |
| 2041 | 5 | 67,965,000 | 9,423,933 | - | - | 437,040,000 | 98,942,200 |
| 2046 | 5 | - | - | - | - | 154,110,000 | 21,437,900 |
| Total | | <u>\$ 748,441,000</u> | <u>\$ 374,492,054</u> | <u>\$ 3,689,827</u> | <u>\$ 1,014,927</u> | <u>\$ 2,066,460,000</u> | <u>\$ 1,478,573,762</u> |

| Fiscal Years Ending | Number of Years | Total General Obligation and Revenue Bonds | | |
|---------------------------|-----------------------|--|-------------------------|-------------------------|
| | | Principal | Interest | Principal and Interest |
| 2017 | 1 | \$ 89,903,000 | \$ 137,840,316 | \$ 227,743,316 |
| 2018 | 1 | 99,925,223 | 129,721,441 | 229,646,664 |
| 2019 | 1 | 104,880,823 | 125,672,648 | 230,553,471 |
| 2020 | 1 | 109,725,422 | 121,030,729 | 230,756,151 |
| 2021 | 1 | 117,015,140 | 116,065,184 | 233,080,324 |
| 2026 | 5 | 660,036,861 | 492,776,275 | 1,152,813,136 |
| 2031 | 5 | 443,483,531 | 351,621,392 | 795,104,923 |
| 2036 | 5 | 534,505,827 | 249,548,725 | 784,054,552 |
| 2041 | 5 | 505,005,000 | 108,366,133 | 613,371,133 |
| 2046 | 5 | 154,110,000 | 21,437,900 | 175,547,900 |
| Total | | <u>\$ 2,818,590,827</u> | <u>\$ 1,854,080,742</u> | <u>\$ 4,672,671,569</u> |

¹ Includes Revenue (Clean Renewable Energy) Bond Issued July 15, 2008. Outstanding balance \$1,176,000 at June 30, 2016.

NOTE 5. RESTRICTED CASH, INVESTMENTS, ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLERestricted Cash

At June 30, 2016 and 2015, the balances of the restricted cash accounts were as follows:

| | 2016 | 2015 |
|---------------------------------------|----------------------|----------------------|
| Major Maintenance Contingency Account | \$ 3,785,695 | \$ 3,761,125 |
| Big Bend Agency Account | 1,613,062 | 1,631,403 |
| SNWA Energy Collateral | 6,000,000 | 6,000,000 |
| Sales Tax Account | 147,013 | 132,404 |
| Total Restricted Cash | <u>\$ 11,545,770</u> | <u>\$ 11,524,932</u> |

Restricted Investments

At June 30, 2016 and 2015, the balances of the restricted investment accounts were as follows:

| | 2016 | 2015 |
|-----------------------------------|----------------------|----------------------|
| Sinking Fund Debt Service | \$ 10,539,353 | \$ 9,995,073 |
| Bond Acquisition and Construction | - | 2,188,965 |
| Customer Guarantee Deposits | 23,392,934 | 22,112,156 |
| Oversizing Account | 28,062,937 | 25,623,119 |
| Total Restricted Investments | <u>\$ 61,995,224</u> | <u>\$ 59,919,313</u> |

Accounts Receivable

Accounts receivable include water accounts receivable and other accounts receivable as shown below. The net accounts receivable balance at June 30, 2016, is expected to be collected within one year. The total allowance for doubtful accounts of \$1,631,384 is believed to be reasonable and adequate at June 30, 2016.

| | 2016 | 2015 |
|-----------------------------------|----------------------|----------------------|
| Water Accounts Receivable: | | |
| Outstanding Billings | \$ 35,574,376 | \$ 29,294,711 |
| Unbilled Water Revenue | 27,080,129 | 29,100,695 |
| Allowance for Doubtful Collection | (1,596,384) | (1,886,875) |
| Water Accounts Receivable, net | <u>61,058,121</u> | <u>56,508,531</u> |
| Other Accounts Receivable: | | |
| Other Governments | 1,025,618 | 4,142,821 |
| Other | 4,011,696 | 1,089,718 |
| Allowance for Doubtful Collection | (35,000) | (35,000) |
| Other Accounts Receivable, net | <u>5,002,314</u> | <u>5,197,539</u> |
| Total Accounts Receivable, net | <u>\$ 66,060,435</u> | <u>\$ 61,706,070</u> |

Accounts Payable and Other Accrued Liabilities

Accounts payable includes all amounts payable by the District within one year not provided for in other accounts. At June 30, 2016 and 2015, Accounts Payable consists of the following:

| | 2016 | | | | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | SNWA | City of Las Vegas | Clark County | Other Vendors | Total Payables |
| Purchased Water (SNWA) | \$ 8,173,322 | \$ - | \$ - | \$ - | \$ 8,173,322 |
| Other SNWA Expenses | 14,454,186 | - | - | - | 14,454,186 |
| Recycled Water Distribution | - | 10,323,716 | 25,001,806 | - | 35,325,522 |
| Other Expenses | 44,064 | 19,088 | - | 11,496,866 | 11,560,018 |
| Capital Assets and Contracts | - | - | - | 3,419,611 | 3,419,611 |
| Total | <u>\$ 22,671,572</u> | <u>\$ 10,342,804</u> | <u>\$ 25,001,806</u> | <u>\$ 14,916,477</u> | <u>\$ 72,932,659</u> |

| | 2015 | | | | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | SNWA | City of Las Vegas | Clark County | Other Vendors | Total Payables |
| Purchased Water (SNWA) | \$ 8,010,114 | \$ - | \$ - | \$ - | \$ 8,010,114 |
| Other SNWA Expenses | 13,563,303 | - | - | - | 13,563,303 |
| Recycled Water Distribution | - | 10,464,309 | 22,898,178 | - | 33,362,487 |
| Other Expenses | 37,812 | 9,250 | - | 12,378,195 | 12,425,257 |
| Capital Assets and Contracts | - | - | - | 3,338,967 | 3,338,967 |
| Total | <u>\$ 21,611,229</u> | <u>\$ 10,473,559</u> | <u>\$ 22,898,178</u> | <u>\$ 15,717,162</u> | <u>\$ 70,700,128</u> |

NOTE 6. UNEARNED REVENUE

| | 2016 | 2015 |
|---------------------|---------------------|---------------------|
| Developer Advance | \$ 602,784 | \$ 633,696 |
| Facility Charges | 170,650 | 203,050 |
| Oversizing Charges | 33,580 | 39,200 |
| Prepaid Meters/AMRs | 911,859 | 971,268 |
| Total | <u>\$ 1,718,873</u> | <u>\$ 1,847,214</u> |

In prior fiscal years, a developer paid the District a total of \$1.0 million to partially offset the District's future cost of maintaining and operating a small pump station constructed at the developer's expense to serve the developer's property. The developer also agreed to pay the District a monthly operating and maintenance assessment until January 1, 2036. The \$1.0 million, classified as unearned revenue, is being amortized \$31 thousand annually as an offset to operating expenses through January 1, 2036.

At June 30, 2016, based on estimated probable future refunds, the District classified as unearned revenue \$0.2 million in facilities charges and \$34 thousand in oversizing charges, and at June 30, 2015, \$0.2 million in facilities charges and \$39 thousand in oversizing charges.

Developers frequently pay the District in advance for water meters and automatic meter reading devices (AMRs) that they pick up at a later time from the District warehouse. Prepaid water meters and AMRs are classified as unearned revenue. The prepaid meters/AMRs balance totaled \$0.9 million at June 30, 2016 and \$1.0 million at June 30, 2015.

NOTE 7. SOUTHERN NEVADA WATER AUTHORITY (SNWA)

The SNWA is a political subdivision of the State of Nevada created in 1991 by a cooperative agreement among the District, the Big Bend Water District, the City of Boulder City, the City of Henderson, the City of Las Vegas, the City of North Las Vegas, and the Clark County Water Reclamation District (member agencies). The SNWA was created to secure additional supplies of water and effectively manage existing supplies of water on a regional basis through the cooperative action of the member agencies.

The SNWA is governed by a seven-member board of directors, comprised of one director from each member agency. The District is the operating agent for the SNWA; the General Manager of the District is the General Manager of the SNWA, and the Chief Financial Officer for the District is the Treasurer of the SNWA.

The SNWA has the power to periodically assess the member agencies directly for operating and capital costs and for the satisfaction of any liabilities imposed against the SNWA. The District and other members do not have an express claim to the resources of the SNWA except that upon termination of the joint venture any assets remaining after payment of all obligations shall be returned to the contributing member agencies.

In 1995, agreements were approved for the repayment of the cost of an additional expansion of the Southern Nevada Water System (SNWS). The agreements require contributions from purveyor members, including the District, benefiting from the expansion. In 1996, the District's Board approved the collection from District customers and remittance to the SNWA a regional connection charge, regional commodity charge and regional reliability charge to fund these contributions. In March 2012, a regional infrastructure charge based upon meter size was approved, which has been modified since that time to account for changing conditions.

The District records these revenues as operating revenues and the contributions as operating expenses. However, to avoid a "grossing-up" effect on operating revenues and operating expenses in the Statements of Revenues, Expenses, and Changes in Net Position, revenue collected for the SNWA is offset against the related remittances to the SNWA. Any remaining balance is classified as an operating expense and adjusted in a following period. The table below shows the SNWA regional charges collected for and remitted to the SNWA for fiscal years 2016 and 2015.

| | 2016 | 2015 |
|------------------------------------|-----------------------|-----------------------|
| Connection charges, net of refunds | \$ 42,728,316 | \$ 47,125,630 |
| Commodity and reliability charges | 44,579,908 | 38,718,018 |
| Infrastructure charges | 75,898,495 | 62,202,122 |
| Total | <u>\$ 163,206,719</u> | <u>\$ 148,045,770</u> |

Audited financial reports of the SNWA for fiscal year 2016 can be obtained on the SNWA internet website: www.snwa.com/about/reports_financial.html or by writing to:

Office of the Treasurer
Southern Nevada Water Authority
1001 South Valley View Boulevard
Las Vegas, NV 89153

NOTE 8. SOUTHERN NEVADA WATER SYSTEM (SNWS)

The District operates for the SNWA the SNWS, a regional system consisting of water treatment plants and pumping and distribution facilities that supply water to the water purveyors in Southern Nevada.

During fiscal year 2016, the District billed the SNWA \$112.7 million for expenditures made on behalf of the SNWA. During fiscal year 2015, the District billed the SNWA \$111.1 million for expenditures made on behalf of the SNWA. The SNWA, in turn, billed the District for its share of these and other costs, computed at a flat rate per acre-foot of water delivered (wholesale delivery charge). The District records the wholesale delivery charge as a component of purchased water expense.

NOTE 9. ENTERPRISE FUND INVESTMENTS

The District'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 District investments are as follows:

- Bonds, debentures, bills, and notes of the 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.
- Non-negotiable 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.

The District's investments were as follows:

| Investment Type | Estimated Fair Value | |
|--------------------------------|-----------------------|-----------------------|
| | June 30, 2016 | June 30, 2015 |
| U.S. Agency Non-Callable Bonds | \$ 148,037,450 | \$ 92,943,087 |
| U.S. Treasury Notes | 43,004,900 | 112,251,310 |
| Negotiable CDs | 10,006,676 | 720,580 |
| Commercial Paper | 7,965,056 | - |
| U.S. Agency Discount Notes | 6,076,020 | 6,042,240 |
| U.S. Agency Callable Bonds | 5,036,950 | 4,961,050 |
| Municipal Bonds | 1,060,620 | 1,081,100 |
| | <u>\$ 221,187,672</u> | <u>\$ 217,999,367</u> |

Credit Risk

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

| Investment Type | S&P | Moody's | Fair Value |
|--------------------------------|---------|---------|----------------|
| U.S. Agency Non-Callable Bonds | AA+ | Aaa | \$ 127,474,150 |
| U.S. Agency Non-Callable Bonds | Unrated | Unrated | 20,563,300 |
| Negotiable CDs | A-1+ | P-1 | 10,006,676 |
| Commercial Paper | A-1 | P-1 | 7,965,056 |
| U.S. Agency Discount Notes | Unrated | Unrated | 6,076,020 |
| U.S. Agency Callable Bonds | AA+ | Aaa | 5,036,950 |
| Municipal Bonds | Unrated | Aa1 | 1,060,620 |

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

| Investment Type | S&P | Moody's | Fair Value |
|--------------------------------|---------|---------|---------------|
| U.S. Agency Non-Callable Bonds | AA+ | Aaa | \$ 92,943,087 |
| U.S. Agency Discount Notes | Unrated | Unrated | 6,042,240 |
| U.S. Agency Callable Bonds | AA+ | Aaa | 4,961,050 |
| Municipal Bonds | Unrated | Aa1 | 1,081,100 |
| Negotiable CDs | Unrated | Unrated | 720,580 |

Concentration of Credit Risk

As of June 30, 2016, the following investments individually comprise 5% or more of the District's total investment portfolio (excluding the pension fund):

| Issuer | Investment Type | Percentage of Investments |
|---|-------------------|---------------------------|
| Federal Home Loan Bank | U.S. Agency Bonds | 30% |
| Federal Farm Credit Bank | U.S. Agency Bonds | 14% |
| Federal Agricultural Mortgage Corporation | U.S. Agency Bonds | 9% |
| Federal National Mortgage Association | U.S. Agency Bonds | 9% |
| Federal Home Loan Mortgage Corporation | U.S. Agency Bonds | 7% |

As of June 30, 2015, the following investments individually comprise 5% or more of the District's total investment portfolio (excluding the pension fund):

| Issuer | Investment Type | Percentage of Investments |
|--|-------------------|---------------------------|
| Federal Home Loan Bank | U.S. Agency Bonds | 26% |
| Federal National Mortgage Association | U.S. Agency Bonds | 13% |
| Federal Home Loan Mortgage Corporation | U.S. Agency Bonds | 6% |

Interest Rate Risk

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

| Investment Type | Fair Value | Weighted Average Maturity (Days) |
|-------------------------------------|-----------------------|----------------------------------|
| U.S. Agency Non-Callable Bonds | \$ 148,037,450 | 550 |
| U.S. Treasury Notes | 43,004,900 | 695 |
| Negotiable CDs | 10,006,676 | 108 |
| Commercial Paper | 7,965,056 | 181 |
| U.S. Agency Discount Notes | 6,076,020 | 50 |
| U.S. Agency Callable Bonds | 5,036,950 | 1,308 |
| Municipal Bonds | 1,060,620 | 714 |
| Total Fair Value | <u>\$ 221,187,672</u> | |
| Portfolio Weighted Average Maturity | | 549 |

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

| Investment Type | Fair Value | Weighted Average Maturity (Days) |
|-------------------------------------|-----------------------|----------------------------------|
| U.S. Treasury Notes | \$ 112,251,310 | 501 |
| U.S. Agency Non-Callable Bonds | 92,943,087 | 485 |
| U.S. Agency Discount Notes | 6,042,240 | 416 |
| U.S. Agency Callable Bonds | 4,961,050 | 1,674 |
| Municipal Bonds | 1,081,100 | 1,080 |
| Negotiable CDs | 720,580 | 112 |
| Total Fair Value | <u>\$ 217,999,367</u> | |
| Portfolio Weighted Average Maturity | | 520 |

The District's policy related to interest rate risk is:

- a. In order to ensure liquidity and to provide for the District's cash flow needs, 5 percent of the District's investment portfolio must mature within 90 days.
- b. The average weighted duration of the District's investment portfolio will not exceed 2.5 years.

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 and June 30, 2015, the District'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 use of observable inputs for similar securities.

At June 30, 2016 and June 30, 2015, the District had the following investments by fair value level:

| | | Fair Value Measurements Using | | |
|------------------------------------|-----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | <u>June 30, 2016</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Investments by Fair Value Level | | | | |
| U.S. Agency Non-Callable Bonds | \$ 148,037,450 | \$ - | \$ 148,037,450 | \$ - |
| U.S. Treasury Notes | 43,004,900 | 43,004,900 | - | - |
| Negotiable Certificates of Deposit | 10,006,676 | - | 10,006,676 | - |
| Commercial Paper | 7,965,056 | - | 7,965,056 | - |
| U.S. Agency Discount Notes | 6,076,020 | - | 6,076,020 | - |
| U.S. Agency Callable Bonds | 5,036,950 | - | 5,036,950 | - |
| Municipal Bonds | 1,060,620 | - | 1,060,620 | - |
| Total Investments | <u>\$ 221,187,672</u> | <u>\$ 43,004,900</u> | <u>\$ 178,182,772</u> | <u>\$ -</u> |

| | | Fair Value Measurements Using | | |
|------------------------------------|-----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | <u>June 30, 2015</u> | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> |
| Investments by Fair Value Level | | | | |
| U.S. Treasury Notes | \$ 112,251,310 | \$ 112,251,310 | \$ - | \$ - |
| U.S. Agency Non-Callable Bonds | 92,943,087 | - | 92,943,087 | - |
| U.S. Agency Discount Notes | 6,042,240 | - | 6,042,240 | - |
| U.S. Agency Callable Bonds | 4,961,050 | - | 4,961,050 | - |
| Municipal Bonds | 1,081,100 | - | 1,081,100 | - |
| Negotiable Certificates of Deposit | 720,580 | - | 720,580 | - |
| Total Investments | <u>\$ 217,999,367</u> | <u>\$ 112,251,310</u> | <u>\$ 105,748,057</u> | <u>\$ -</u> |

NOTE 10. RISK MANAGEMENT

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

The District 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

District 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 coverage are also purchased. For the fiscal year ended June 30, 2016, the District had no significant reductions in insurance coverage from the prior fiscal year.

In contracts, the District obtains indemnification and hold harmless agreements. These agreements require that contractors name the District 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 District 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.

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 District 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. These incurred but not reported claims have been estimated based upon the District's past experience and adjusted for current trends. A summary is provided in the table below.

During fiscal years 2016 and 2015, changes in the balance of claims for retained risks were as follows (rounded to the nearest thousand):

| Fiscal Year | Beginning of fiscal year liability | Current Year Claims and changes in estimates | Claim Payments | Balance at fiscal year end |
|-------------|---------------------------------------|--|----------------|-------------------------------|
| 2016 | \$ 1,929,000 | \$ 1,013,000 | \$ (1,009,000) | \$ 1,933,000 |
| 2015 | 2,073,000 | 737,000 | (881,000) | 1,929,000 |

NOTE 11. CAPITAL CONTRIBUTIONS

For the fiscal years ended June 30, 2016 and 2015, capital contributions, excluding unearned revenue, are as follows:

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Mains and Services | \$ 16,457,675 | \$ 12,776,292 |
| Facilities Connection Charges, net of refunds | 13,239,500 | 17,657,015 |
| Oversizing Charges, net of refunds | 2,276,640 | 2,913,220 |
| Springs Preserve | 3,136,317 | 410,305 |
| Frontage Connection Charges | 638,155 | 674,136 |
| Fees and Other Contributions | 99,159 | 95,174 |
| Total | <u>\$ 35,847,446</u> | <u>\$ 34,526,142</u> |

Probable future refunds have been estimated and recorded as a component of unearned revenue. (See Note 6, Unearned Revenue).

NOTE 12. RELATED PARTY TRANSACTIONSSouthern Nevada Water Authority (SNWA)

In 1991, the District joined with other local governmental entities to form the SNWA (see Note 7), defined by Nevada law as a political subdivision of the State of Nevada. By GASB definition, the SNWA is a joint venture. The District is confident that the amounts related to debt secured by SNWA pledged revenue (Notes 3 and 4) are collectible.

Besides being a member of the SNWA, the District is its operating agent. Beginning in fiscal year 2009, the SNWA advanced funds to the District for expenditures to be made on its behalf. The District credits the SNWA interest on the monthly average advance balance at the District's current investment earnings rate. The advance balance at June 30, 2016 and at June 30, 2015, was \$6.0 million and \$7.3 million respectively.

The District has allocated to and recorded \$75.4 million at June 30, 2016 and \$63.1 million at June 30, 2015 as a noncurrent receivable from the SNWA for net pension liability (Note 16) for District employees devoted to SNWA operations. The District has allocated to and recorded \$5.2 million at June 30, 2016 and \$4.7 million at June 30, 2015 as a noncurrent receivable from the SNWA for postemployment benefits other than pensions (Note 14) for District employees devoted to SNWA operations. The District is confident that the amounts are collectible.

Springs Preserve

In 1998, the District entered into a partnership with the Las Vegas Springs Preserve Foundation, a tax-exempt charitable organization founded to provide funding for the Springs Preserve. The Springs Preserve is a cultural and historic attraction located on District property. The 180-acre national historic site is widely known as the "birthplace" of Las Vegas. The presence of an abundant water supply at the site was the original catalyst for the growth, development, and the resulting economic prosperity of the Las Vegas Valley. The Springs Preserve opened in June 2007.

Besides investing its own funds toward the Springs Preserve, the District has expended funds that have been or will be reimbursed by the State and by others through grants and gifts. The unreimbursed portion at June 30, 2016 was \$2.2 million, and at June 30, 2015 was \$0.1 million.

Big Bend Water District

On September 2, 2008, the District became the operating agent for the Big Bend Water District (BBWD), located in Laughlin, Nevada, 95 miles south of Las Vegas. The BBWD is a general improvement district and a political subdivision of the State of Nevada. It is also a member agency of the SNWA. The BBWD is governed by a seven-member Board of Trustees whose members also serve as the Board of Clark County Commissioners.

The District has allocated to and recorded \$1.5 million at June 30, 2016 and \$1.3 million at June 30, 2015 as a noncurrent receivable from the BBWD for net pension liability (Note 16) for District employees devoted to BBWD operations. The District has allocated to and recorded \$52 thousand at June 30, 2016 and \$43 thousand at June 30, 2015 as a noncurrent receivable from the BBWD for postemployment benefits other than pensions (Note 14) for District employees devoted to BBWD operations. The District is confident that the amounts are collectible.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of management and the District's general counsel that the resolution of these matters will not have a material adverse effect on the future financial condition, results of operations or cash flows of the District.

At June 30, 2016 and 2015, commitments for unperformed work on outstanding contracts totaled \$10.8 million and \$14.5 million, respectively.

Forward Energy Contracts

The District and the SNWA actively manage a portfolio of energy resources. The agencies adhere to a strict set of energy risk management procedures established by a Risk Management Committee that serves to fulfill the Energy Risk Management Policy adopted by the District's Board.

To provide energy at a known and budgeted cost, the District has entered into forward energy contracts with the SNWA. Because Las Vegas is at a higher elevation than its principal major water supply, reliable electrical service is essential to the District's ability to deliver water. To better manage energy reliability and costs, the District manages a significant portion of its energy supply, rather than purchasing energy from the local regulated investor-owned utilities under tariff rates approved by the Nevada Public Utilities Commission.

The portfolio exists solely for the purpose of providing the District's projected energy requirements through December 2020, at a known and budgetable cost, while incorporating renewable energy where appropriate.

Under current accounting standards, these forward energy contracts, for which the District neither paid nor was paid anything at inception, are accounted for as "normal purchases and normal sales" contracts and not as investments. The primary risks associated with these forward energy contracts are counter-party credit and termination risks. Currently, there is no intent to terminate these contracts with offsetting contracts. As of June 30, 2016, the District had commitments totaling \$15.3 million related to its forward energy contracts. As of June 30, 2015, the District had commitments totaling \$17.2 million related to its forward energy contracts.

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the District. Under this Act, an amount may be required to be rebated to the United States Treasury (called "arbitrage") for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebateable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.

Operating Lease

The District entered into a sublease agreement with the SNWA for office space and parking for a term of no longer than 20 years, commencing September 1, 2007. The lease agreement includes the right to sublease and a purchase option. In December 2007, the SNWA purchased part of the premises, including part of the premises subleased to the District. Under the terms of the sublease agreement, the sublease will continue as a lease on any space purchased by the SNWA as long as the space is not needed by the SNWA. The sublease agreement may be terminated by the SNWA if breached by the District. Cancellation of the sublease at any time by the District is not prohibited.

The sublease agreement provides for the District to sublease about 35,000 square feet of office space with an option to sublease up to an additional 16,000 square feet. During fiscal years 2016 and 2015, the District occupied about 35,000 square feet of the office space for a total cost of \$1.6 million in fiscal years 2016 and 2015.

The sublease agreement contains provisions for contingent rentals (rentals in which amounts are dependent upon some factor other than the passage of time). The District is responsible for paying, and does pay \$11 thousand monthly, for the amortized value of tenant improvements during the time that the improved space is occupied by the District. Should the SNWA assign designated parking spaces to the District, the District will pay to the SNWA an additional \$75 per space per month for each such parking space designated. The District had no contingent rental expenditures in fiscal years 2016 and 2015.

The District must comply with all applicable and appropriate provisions of the lease and will take no action or fail to act in such a way that would cause the SNWA to be in breach of any provision, rule or regulation of the lease agreement. Further, the District shall not enter into any assignments or subleases of the premises without the written consent of the SNWA.

Following is a schedule by fiscal year of estimated future minimum rental payments under the sublease:

| | |
|-------------|----------------------|
| 2017 | \$ 1,564,869 |
| 2018 | 1,564,869 |
| 2019 | 1,564,869 |
| 2020 | 1,564,869 |
| 2021 | 1,564,869 |
| Later years | 9,650,026 |
| Total | <u>\$ 17,474,371</u> |

NOTE 14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

From the accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the costs occur rather than in future years when it will be paid. Following the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement No. 45), the District recognizes the cost of postemployment healthcare in the year when the employee services are received by reporting the accumulated liability from the prior years and providing useful information in assessing potential demands on the District's future cash flows.

Plan Description

The District contributes to a single-employer defined benefit "other postemployment benefit plan" (OPEB plan) as explained below. Benefit provisions are established and may be amended by the District's Board subject to collective bargaining agreements. Unlike the pension plan (Note 16), the OPEB plan is administered by the District and not by a trust or equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

Under the OPEB plan, the District pays 100% of life insurance and group health insurance premiums for eligible retirees and 85% for their dependents until the retirees become eligible for Medicare. The District's insurance provider (Clark County) charges the District the same premiums for retirees who are not yet eligible for Medicare as for active employees. Therefore, the retiree premium rates are subsidized by the inclusion of current employees in setting rates.

Funding Policy

Subject to collective bargaining agreements, the contribution requirements of plan members and the District are established and may be amended by the District's Board. There are no legal or contractual maximum contribution rates. The required contribution is based on pay-as-you-go financing requirements. For fiscal year 2016, actuarial projected age-adjusted premiums totaled \$1.8 million. Retirees receiving benefits contributed \$0.1 million, approximately 4%, resulting in District contributions of \$1.7 million. For fiscal year 2015, actuarial projected age-adjusted premiums totaled \$1.7 million. Retirees receiving benefits contributed \$0.1 million, approximately 3%, resulting in District contributions of \$1.6 million.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the fiscal years ended June 30, 2016 and June 30, 2015, the following table shows the components of the District's annual OPEB cost (expense) for the year, the amount contributed to the plan and changes in the District's net OPEB obligation.

| | As of June 30, 2016 | As of June 30, 2015 |
|--|------------------------|------------------------|
| Annual Required Contribution (ARC) | \$ 3,176,606 | \$ 3,242,492 |
| Interest on net OPEB obligation | 605,785 | 549,053 |
| Adjustment to annual required contribution | (842,131) | (763,265) |
| Annual OPEB cost | 2,940,260 | 3,028,280 |
| Contributions made | (1,703,882) | (1,609,973) |
| Increase in net OPEB obligation | 1,236,378 | 1,418,307 |
| Net OPEB obligation, beginning of the year | 15,144,631 | 13,726,324 |
| Net OPEB obligation, end of the year | \$ 16,381,009 | \$ 15,144,631 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the three most recent fiscal years are shown below.

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------|---------------------|--|---------------------------|
| 2016 | \$ 2,940,260 | 58.0% | \$ 16,381,009 |
| 2015 | 3,028,280 | 53.2% | 15,144,631 |
| 2014 | 2,819,328 | 37.2% | 13,726,324 |

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$28.4 million and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$28.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$112.9 million and the ratio of the UAAL to the covered payroll was 25.1%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and healthcare costs. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) immediately following the notes to the financial statements, will present in subsequent years, as additional valuations are obtained, multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The reference to the schedule of funding progress presented as RSI does not represent or imply incorporation of the schedule into the notes to the basic financial statements.

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the Projected Unit Credit Cost Method was used. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current employees and retirees. The economic assumptions include a 4.0% discount rate (unfunded), based on the expected long-term investment return on the District's assets and an initial healthcare inflation rate of 7.0%, grading down over 56 years to an ultimate rate of 4.5%. Both rates assume a 2.5% inflation assumption.

The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the ARC, the Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level dollar amount over 30 years on an open period. At June 30, 2016, the remaining amortization period is 30 years.

Insured Benefit

GASB Statement No. 45 defines an insured benefit as an OPEB financing arrangement whereby an employer pays premiums to an insurance company, *while employees are in active service*, in return for which the insurance company unconditionally undertakes an obligation to pay the postemployment benefits of those employees or their beneficiaries, as defined in the employer's plan. Insured benefits are excluded from the calculation of annual OPEB cost and the net OPEB obligation.

The District provides long-term disability benefits for totally or partially disabled employees earning less than 20% of their indexed total monthly earnings by paying premiums to an insurer while the employees are in active service for covered events that occur during the premium period. Generally, benefits are paid only to totally disabled-separated employees.

Subject to collective bargaining agreements, benefit provisions are established and may be amended by the District's Board. The obligation to pay the benefits has been effectively transferred from the District to an insurance company. The District has not guaranteed benefits in the event of the insurance company's insolvency. For fiscal years 2016 and 2015, the District paid premiums of \$0.5 million and \$0.5 million, respectively.

NOTE 15. TERMINATION BENEFITS

GASB Statement No. 47, *Accounting for Termination Benefits*, requires accrual of termination benefits if an offer for voluntary termination benefits is accepted or a plan for involuntary termination has been approved.

During fiscal year 2015, the District offered a voluntary separation plan for regular full-time or part-time employees who had at least 15 years of service and were eligible to retire with a full or reduced pension benefit. These employees were eligible to receive an incentive equal to 25% of their accrued disability leave at retirement if application were made prior to May 1, 2015, and the desired date of retirement was by June 30, 2015. The District reserved the right to approve exceptions to the criteria. Since eligible terminating employees normally receive 75% of unused disability leave, employees retiring under the voluntary separation plan received 100%.

During fiscal year 2015, the District paid \$0.4 million in voluntary separation benefits to 37 employees. Because the liability for disability leave is already accrued at 100%, no additional accrual was necessary at June 30, 2015.

The voluntary separation plan was not offered during fiscal year 2016.

NOTE 16. DEFINED BENEFIT PENSION PLANPlan Description

The District contributes to the Las Vegas Valley Water District Pension Plan (Plan), a single-employer defined benefit pension trust fund established by the District to provide pension benefits solely for the employees of the District. A Board of Trustees, comprised of the District's Board, has the authority to establish and amend the benefit provisions of the Plan and the contribution requirements of the District and its employees. Employee contributions are not required or permitted, except under certain conditions in which employees may purchase additional years of service for eligibility and increased benefits. During fiscal years 2016 and 2015, employee contributions for this purpose were \$0.2 million and \$1.6 million, respectively.

The Plan was amended effective February 15, 2005, to provide the following: (1) Increase the annual service credit of 2% to 2.17% for years of service after July 1, 2001 (service credit is the accumulation of pension plan years an employee was in paid status at the District); (2) change the benefit formula to increase the calculation of highest average pay by 50% of the employer contribution rate charged by Nevada PERS to employers who pay the full contribution rate, as prescribed in the Nevada Revised Statutes; and (3) add shift differential and standby pay to the total compensation counted toward the pension benefit.

Other than cost of living adjustments, the Plan does not provide *ad hoc* postretirement benefit increases nor does it administer postemployment healthcare plans. The Plan does not issue a stand-alone financial report.

All District employees are eligible to participate in the Plan after attaining age 20 and completing six months of employment. Subject to a maximum pension benefit, normally 60% of average monthly compensation, District employees who retire at age 65 are entitled to an annual retirement benefit, payable monthly for life, of an amount equal to 2% of their average monthly compensation multiplied for the years of service prior to July 1, 2001, and 2.17% of their average monthly compensation multiplied for the years of service after July 1, 2001. For the purposes of calculating the pension benefit, average monthly compensation means the average of a member's 36 consecutive months of highest compensation, after excluding certain elements, times 50% of the employer contribution rate charged by Nevada PERS to employers who pay the full contribution rate that is in effect for the 36 consecutive months of highest compensation, while participating in the Plan.

For participants in the plan prior to January 1, 2001, benefits start to vest after three years of service with a 20% vested interest. The benefit increases to 40% after four years of service and 100% after five years of service. New participants after January 1, 2001 start to vest at 5 years of service, at which time they are vested 100%. The Plan also provides for early retirement and pre-retirement death benefits. The Plan is not subject to the Employee Retirement Income Security Act (ERISA) of 1974, but is operated consistent with ERISA fiduciary requirements.

For employees on or after January 1, 2001, benefits are increased after retirement by cost of living adjustments that become effective on the first month following the anniversary of benefit commencement according to the following schedule:

| | |
|------|--|
| 0.0% | following the 1 st , 2 nd and 3 rd anniversaries |
| 2.0% | following the 4 th , 5 th and 6 th anniversaries |
| 3.0% | following the 7 th , 8 th and 9 th anniversaries |
| 3.5% | following the 10 th , 11 th and 12 th anniversaries |
| 4.0% | following the 13 th and 14 th anniversaries |
| 5.0% | following each anniversary thereafter |

However, if the benefit amount at the time of an increase is at least or equal to the original benefit amount multiplied by cumulative inflation since retirement, as measured by the increase in the Consumer Price Index (All Items), then the increase cannot exceed the average rate of inflation for the three proceeding years.

The District contributes amounts actuarially determined necessary to fund the Plan to pay benefits when due, and to provide an allowance sufficient to finance the administrative costs of the Plan. Contributions cannot revert to or be revoked by the District or be used for any purpose other than the exclusive benefit of the participants.

At June 30, 2016 and 2015, participants in the plan consist of the following:

| | 2016 | 2015 |
|--|-------|-------|
| Participant Count | | |
| Retirees in pay status with unpurchased benefits | 313 | 317 |
| Terminated employees not yet receiving benefits | 393 | 377 |
| Retirees paid monthly from plan | 203 | 142 |
| Active employees - fully vested | 1,036 | 1,090 |
| - nonvested | 80 | 80 |
| Total Active Employees | 1,116 | 1,170 |
| Total Participants | 2,025 | 2,006 |

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due. Participants do not make contributions except voluntarily under certain conditions to purchase additional years of service. Participant contributions are non-refundable.

Allocated Insurance Contracts

Through December 31, 2013, benefit obligations were recognized and paid when due by purchasing annuity contracts from a life insurance company with a financial strength rating of A++ by A.M. Best rating company. Beginning January 1, 2014, benefit obligations are paid by the Plan through a large multi-national bank. Cost of living adjustments for benefit obligations that were initially paid by purchasing annuity contracts from a life insurance company continue to be paid by purchasing additional annuity contracts from a life insurance

company. The costs to purchase annuity contracts from a life insurance company for cost of living adjustments were \$3.1 million and \$2.7 million for the years ended June 30, 2016 and June 30, 2015, respectively. The obligation for the payment of benefits covered by these annuity contracts have been transferred to a life insurance company and are excluded from the Plan assets.

Method Used to Value Investments

The domestic equity, international equity, domestic bond, global real estate investment trust (REIT) and money market accounts are stated at fair value, measured by the underlying market value as reported by the managing institutions. Investments at contract value are insurance contracts and pooled accounts, stated at contract value as determined by the insurance companies in accordance with the terms of the contracts.

Actuarially Determined Contribution

The District's policy is to pay the current year's actuarially determined contribution when due. This amount was \$29.4 million and \$28.9 million for the years ended June 30, 2016, and June 30, 2015, respectively.

Net Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based upon the discount rate and actuarial assumptions listed below. The total pension liability was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year end. The liabilities are calculated using a discount rate that is a blend of the expected investment rate of return and a high quality bond index rate. The expected investment rate of return applies for as long as the Plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If Plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date. The disclosures below exclude assets and liabilities held with a life insurance company, which provides benefits for retirees or their beneficiaries whose benefits were purchased with annuity contracts from the life insurance company.

The components of net pension liability are:

| | As of June 30, 2016 | As of June 30, 2015 |
|--|------------------------|------------------------|
| Total Pension Liability | \$ 534,426,915 | \$ 480,743,435 |
| Fiduciary Net Position | 330,934,926 | 309,316,943 |
| Net Pension Liability | \$ 203,491,989 | \$ 171,426,492 |
| Fiduciary Net Position as a % of Total Pension Liability | 61.92% | 64.34% |
| Covered Payroll | \$ 110,683,142 | \$ 112,917,601 |
| Net Pension Liability as a % of Covered Payroll | 183.85% | 151.82% |
| Valuation Date | June 30, 2015 | June 30, 2014 |
| Measurement Date | June 30, 2016 | June 30, 2015 |
| GASB No. 67 Reporting Date | June 30, 2016 | June 30, 2015 |
| Depletion Date | None | None |
| Discount Rate | 7.25% | 7.25% |
| Expected Rate of Return, Net of Investment Expenses | 7.25% | 7.25% |
| Municipal Bond Rate | N/A | N/A |

If the assets and liabilities for retirees or their beneficiaries whose benefits were purchased with annuity contracts from a life insurance company were included with the Plan assets:

| | As of June 30, 2016 | As of June 30, 2015 |
|--|------------------------|------------------------|
| Fiduciary Net Position as a % of Total Pension Liability | 71.17% | 73.88% |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) and 1 percentage point higher (8.25%) than the current rate.

| | As of June 30, 2016 | | |
|-------------------------|---------------------------------|-----------------------|---------------------------------|
| | 1% Decrease In Discount Rate | Discount Rate | 1% Increase In Discount Rate |
| Sensitivity Analysis | 6.25% | 7.25% | 8.25% |
| Total Pension Liability | \$ 618,990,056 | \$ 534,426,915 | \$ 464,467,145 |
| Fiduciary Net Position | 330,934,926 | 330,934,926 | 330,934,926 |
| Net Pension Liability | <u>\$ 288,055,130</u> | <u>\$ 203,491,989</u> | <u>\$ 133,532,219</u> |

Actuarial Assumptions

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age. |
| Amortization method | 30 year amortization of unfunded liability (closed period) as a level percent of pay, using layered bases starting July 1, 2009. |
| Remaining amortization period | 23 years for the initial unfunded liability base established July 1, 2009. Bases established between July 1, 2010 and July 1, 2015 have remaining amortization periods ranging from 24 to 29 years. |
| Inflation | 2.75% per year. |
| Salary increases | 4.75% per year, including inflation. |
| Investment rate of return | 7.25%, net of pension plan investment expenses, including inflation. |
| Retirement age | Normal retirement age is attainment of age 65. Unreduced early retirement is available after either 1) 30 years of service, or 2) age 60 with 10 years of service. Reduced early retirement benefits are available after attainment of age 55 and completion of 5 years of service (3 years of service if a participant prior to January 1, 2001). |
| Mortality | Future mortality follows the 1994 Group Annuity Mortality Basic table projected to 2004 using Scale AA. |

Changes in Net Pension Liability

| | Total Pension Liability | Fiscal Year Ending June 30, 2016 Increase/Decrease Plan Fiduciary Net Position | Net Pension Liability |
|---|----------------------------|--|--------------------------|
| Balance as of June 30, 2015 | \$ 480,743,435 | \$ 309,316,943 | \$ 171,426,492 |
| Service Cost | 16,970,046 | - | 16,970,046 |
| Interest on the Total Pension Liability | 36,511,919 | - | 36,511,919 |
| Changes in Benefit Terms | - | - | - |
| Differences between Actual and Expected Experience with regard to Economic or Demographic Factors | 11,610,487 | - | 11,610,487 |
| Changes of Assumptions | - | - | - |
| Contributions from Employer | - | 29,414,230 | (29,414,230) |
| Purchase of Service Payments | 217,031 | 217,031 | - |
| Net Investment Income | - | 3,983,572 | (3,983,572) |
| Benefit Payments | (11,626,003) | (11,626,003) | - |
| Administration Expense | - | (370,847) | 370,847 |
| Total Changes | 53,683,480 | 21,617,983 | 32,065,497 |
| Balance as of June 30, 2016 | \$ 534,426,915 | \$ 330,934,926 | \$ 203,491,989 |

Pension Expense

Total employer pension expense was \$37.1 million for the fiscal year ended June 30, 2016 and \$30.5 million for the fiscal year ended June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported the following deferred inflows of resources and deferred outflows of resources related to pensions:

| | As of June 30, 2016 | |
|---|----------------------------------|-----------------------------------|
| | Deferred Inflows of Resources | Deferred Outflows of Resources |
| Differences between Expected and Actual Experience | \$ (2,901,157) | \$ 9,951,846 |
| Changes of Assumptions | - | - |
| Net Difference between Projected and Actual Earnings | - | 19,483,076 |
| Contributions Made Subsequent to Measure Date | - | - |
| Total | \$ (2,901,157) | \$ 29,434,922 |

Amounts currently reported as deferred inflows of resources and deferred outflows of resources related to pensions will be recognized as follows:

| Fiscal Year Ending June 30 | Recognized Deferred Inflows/Outflows |
|----------------------------|---|
| 2017 | \$ 6,334,281 |
| 2018 | 6,334,281 |
| 2019 | 6,334,280 |
| 2020 | 4,925,246 |
| 2021 | 1,111,253 |
| Thereafter | 1,494,424 |

Investment Rate of Return

| Asset Class | Expected Nominal Return | Target Asset Allocation |
|---|----------------------------|----------------------------|
| Large Cap U.S. Equities | 7.83% | 38.00% |
| Small/Mid Cap U.S. Equities | 8.84% | 16.00% |
| International Equities | 8.98% | 15.00% |
| Core Fixed Income | 5.18% | 22.00% |
| High Yield Bonds | 7.55% | 6.00% |
| REITs | 8.78% | 3.00% |
| Expected Average Return (1 year) | | 7.59% |
| Expected Geometric Average Return (75 years) | | 6.82% |

The expected geometric average return over 75 years is less than the expected 1 year return due to expected deviations each year from the average which, due to the compounding effect, lower long term returns.

Pension Investments

Management believes the District's pension investment policy conforms to the District's enabling act which requires the District to follow the "prudent person" rule, *i.e.*, invest with discretion, care and intelligence. The investment policy does not specify credit quality ratings or maturities except that investments must be those that are allowed by law and those that the investment managers are trained and competent to handle.

To diversify investment risk, the District's investment policy currently limits pension plan investments as follows:

| Investment Type | Percent of Portfolio |
|---------------------------|----------------------|
| Cash and Cash Equivalents | 2% +/- 2% |
| Fixed Income Securities | 27% +/- 10% |
| Equity Securities | 68% +/- 10% |
| Global REIT | 3% +/- 3% |

At June 30, 2016, the Pension Trust Fund had the following investments (includes contract investments at contract value; carrying value excludes accrued interest):

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Percent of Total</u> |
|---------------------------|-----------------------|-------------------------|
| Cash and Cash Equivalents | \$ 1,157,413 | 0.3% |
| Equity Securities | 224,951,718 | 68.0% |
| Fixed Income Securities | 93,518,280 | 28.3% |
| Global REIT | 11,215,646 | 3.4% |
| Total | <u>\$ 330,843,057</u> | <u>100.0%</u> |

| <u>Investment</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|---|----------------------------|-----------------------|
| Money Market Fund | Weighted Average 34 days | \$ 1,157,413 |
| U.S. Equity Securities ¹ | N/A | 179,995,447 |
| International Equity Securities | N/A | 44,956,271 |
| U.S. Fixed Income Securities | Weighted Average 7.7 years | 68,377,738 |
| High Yield Fixed Income Securities | Weighted Average 4.6 years | 20,493,086 |
| Global REIT | N/A | 11,215,646 |
| Ameritas Life Insurance Corp., Contract | Open | 1,779,930 |
| New York Life Insurance Co., Contract | Open | 2,867,526 |
| Total | | <u>\$ 330,843,057</u> |

¹ This investment category includes approximately 71.3% large cap and 28.7% small and mid-cap domestic equity investments.

At June 30, 2015, the Pension Trust Fund had the following investments (includes contract investments at contract value; carrying value excludes accrued interest):

| <u>Investment Type</u> | <u>Carrying Value</u> | <u>Percent of Total</u> |
|---------------------------|-----------------------|-------------------------|
| Cash and Cash Equivalents | \$ 2,175,209 | 0.7% |
| Equity Securities | 217,025,548 | 70.2% |
| Fixed Income Securities | 80,582,272 | 26.0% |
| Global REIT | 9,475,218 | 3.1% |
| Total | <u>\$ 309,258,247</u> | <u>100.0%</u> |

| Investment | Maturities | | Carrying Value |
|--------------------------------------|------------------|-----------|-----------------------|
| Money Market Fund | Weighted Average | 20 days | \$ 1,727,444 |
| Money Market Fund | Weighted Average | 40 days | 447,765 |
| U.S. Equity Securities ¹ | N/A | | 173,214,365 |
| International Equity Securities | N/A | | 43,811,183 |
| U.S. Fixed Income Securities | Weighted Average | 7.9 years | 59,386,168 |
| High Yield Fixed Income Securities | Weighted Average | 4.3 years | 17,919,280 |
| Global REIT | N/A | | 9,475,218 |
| Union Central Life Ins. Co. Contract | Open | | 1,726,076 |
| New York Life Ins. Co. Contract | Open | | 1,550,748 |
| Total | | | <u>\$ 309,258,247</u> |

¹ This investment category includes approximately 69.8% large cap and 30.2% small and mid-cap domestic equity investments.

Credit Exposure As a Percentage of Total Fixed-Income Investments

| | 2016 | 2015 |
|----------------------|-------|-------|
| Domestic Bond Fund | 73.1% | 73.7% |
| High Yield Bond Fund | 21.9% | 22.2% |
| Contracts | 5.0% | 4.1% |

Credit Quality of Fixed Income Investments

The pension fund fixed-income investments are in insurance company contracts, a domestic bond fund and a high-yield bond fund. The insurance company contracts are not rated by credit rating agencies. The managing institution of the domestic bond fund reports an average quality rating of Aa1/Aa2 at June 30, 2016 and at June 30, 2015 for the underlying securities. The managing institution of the high-yield bond fund reports an average quality rating of B1 at June 30, 2016 and at June 30, 2015 for the underlying securities.

Credit Quality of Money Market Funds

The Plan's money market account fund was not rated by either Standard & Poors or Moody's at June 30, 2016 or June 30, 2015.

Concentration of Credit Risk – Excluding Money Market and Mutual Funds

The pension investment policy does not restrict the amount that may be invested with any one issuer as long as the prudent person rule is followed. Excluding the money market, equity, bond and REIT funds, no investment comprised more than 5% of the pension trust investments at June 30, 2016 and at June 30, 2015.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.20%. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.54%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurement

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan had the following recurring fair value measurements as of June 30, 2016 and 2015:

| | | Fair Value Measurements Using | | |
|---|-----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | June 30, 2016 | (Level 1) | (Level 2) | (Level 3) |
| Money Market Fund | \$ 1,157,413 | \$ 1,157,413 | \$ - | \$ - |
| U.S. Equities Securities Funds | 179,995,447 | 179,995,447 | - | - |
| International Equities Securities Fund | 44,956,271 | 44,956,271 | - | - |
| U.S. Fixed Income Securities Fund | 68,377,738 | 68,377,738 | - | - |
| High Yield Fixed Income Securities Fund | 20,493,086 | 20,493,086 | - | - |
| Global REIT Fund | 11,215,646 | 11,215,646 | - | - |
| Insurance Contracts | 4,647,456 | - | 4,647,456 | - |
| Totals | <u>\$ 330,843,057</u> | <u>\$ 326,195,601</u> | <u>\$ 4,647,456</u> | <u>\$ -</u> |

| | | Fair Value Measurements Using | | |
|---|-----------------------|--|--|---|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | June 30, 2015 | (Level 1) | (Level 2) | (Level 3) |
| Money Market Fund | \$ 2,175,209 | \$ 2,175,209 | \$ - | \$ - |
| U.S. Equities Securities Funds | 173,214,365 | 173,214,365 | - | - |
| International Equities Securities Fund | 43,811,183 | 43,811,183 | - | - |
| U.S. Fixed Income Securities Fund | 59,386,168 | 59,386,168 | - | - |
| High Yield Fixed Income Securities Fund | 17,919,280 | 17,919,280 | - | - |
| Global REIT Fund | 9,475,218 | 9,475,218 | - | - |
| Insurance Contracts | 3,276,824 | - | 3,276,824 | - |
| Totals | <u>\$ 309,258,247</u> | <u>\$ 305,981,423</u> | <u>\$ 3,276,824</u> | <u>\$ -</u> |

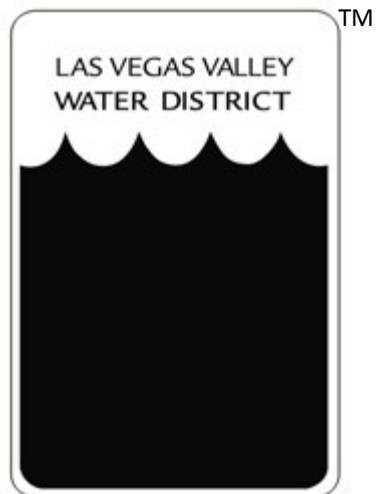
NOTE 17. SUBSEQUENT EVENTS

On July 18, 2016, the District issued \$125.6 million General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Adjustable Rate Water Refunding Bonds, Series 2016D to refund its outstanding Series 2006B (\$62.7 million) and 2006C (\$62.7 million) bonds. The interest rate on the bonds is variable based on LIBOR, with a 3-year term. Principal payments are payable annually on June 1 of each year commencing June 1, 2017.

On September 15, 2016, the District entered into an agreement with the State of Nevada Department of Conservation and Natural Resources to receive a loan from the State Revolving Fund (SRF) for an amount not to exceed \$15.0 million. Funds will be used for water system rehabilitation projects. The SRF loan is secured by a \$15.0 million general obligation bond the District gave to the State of Nevada as collateral for the loan. Disbursement of loan amounts is based upon submittal of proper and acceptable costs that have been incurred. The interest rate on the loan is fixed at 1.78% and the term is 20 years. Interest payments are payable semiannually on January 1 and July 1 of each year commencing on the first January 1 or July 1 immediately following the date the maximum principal amount is drawn; the date the projects are complete; or three years from the date of the loan contract, whichever occurs first.

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REQUIRED SUPPLEMENTARY INFORMATION



LAS VEGAS VALLEY WATER DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST TEN FISCAL YEARS
(Unaudited)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|----------------|----------------|----------------|------|------|------|------|------|------|------|
| Total Pension Liability - Beginning of Year | \$ 480,743,435 | \$ 441,508,189 | \$ 401,160,155 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Service Cost | 16,970,046 | 17,189,921 | 18,670,779 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Purchase of Service Payments | 217,031 | 1,595,551 | 599,685 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Interest on the Total Pension Liability | 36,511,919 | 32,672,891 | 30,115,838 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Changes of Benefit Terms | - | - | - | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Differences between Actual and Expected Experience with regard to Economic or Demographic Factors | 11,610,487 | (3,995,933) | - | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Changes of Assumptions | (11,626,003) | (8,227,184) | (9,038,268) | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Benefit Payments | 53,683,480 | 39,235,246 | 40,348,034 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Total Changes | | | | | | | | | | |
| Total Pension Liability - End of Year | \$ 534,426,915 | \$ 480,743,435 | \$ 441,508,189 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Fiduciary Net Position - Beginning of Year | \$ 309,316,943 | \$ 273,876,159 | \$ 213,998,078 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Contributions from Employer | 29,414,230 | 28,853,341 | 30,700,443 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Purchase of Service Payments | 217,031 | 1,595,551 | 599,685 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Net Investment Income | 3,983,572 | 13,589,116 | 37,893,540 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Benefit Payments | (11,626,003) | (8,227,184) | (9,038,268) | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Administrative Expenses | (370,847) | (277,319) | (277,319) | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Total Changes | 21,617,983 | 35,440,784 | 59,878,081 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Fiduciary Net Position - End of Year | \$ 330,934,926 | \$ 309,316,943 | \$ 273,876,159 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Net Pension Liability | \$ 203,491,989 | \$ 171,426,492 | \$ 167,632,030 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Fiduciary Net Position as a % of Total Pension Liability | 61.92% | 64.34% | 62.03% | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Covered Employee Payroll | \$ 110,683,142 | \$ 112,917,601 | \$ 121,696,965 | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Net Pension Liability as a % of Covered Employee Payroll | 183.85% | 151.82% | 137.75% | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

The required supplementary information is presented for fiscal years 2014 through 2016, for which information measured in conformity with the requirements of GASB No. 67 is available. This schedule will ultimately present information for the last 10 fiscal years.

LAS VEGAS VALLEY WATER DISTRICT
SCHEDULE OF DEFINED BENEFIT PLAN CONTRIBUTIONS
LAST TEN FISCAL YEARS
(Unaudited)

| Plan Year Ending June 30 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contribution as a % of Covered Payroll |
|--------------------------------|---|------------------------------------|--|--------------------|--|
| 2016 | \$ 29,414,230 | \$ 29,414,230 | \$ - | \$ 110,683,142 | 26.58% |
| 2015 | 28,853,341 | 28,853,341 | - | 112,917,601 | 25.55% |
| 2014 | 30,700,443 | 30,700,443 | - | 121,696,965 | 25.23% |
| 2013 | 29,058,894 | 29,058,894 | - | 119,067,304 | 24.41% |
| 2012 | 26,721,710 | 26,721,710 | - | 117,220,320 | 22.80% |
| 2011 | 26,606,950 | 26,606,950 | - | 119,663,339 | 22.23% |
| 2010 | 25,753,794 | 25,753,794 | - | 122,006,497 | 21.11% |
| 2009 | 27,262,106 | 27,262,106 | - | 111,054,552 | 24.55% |
| 2008 | 23,587,076 | 23,587,076 | - | 97,880,824 | 24.10% |
| 2007 | 22,040,681 | 22,040,681 | - | 86,960,597 | 25.35% |

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of July 1 of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rate as of the last actuarial valuation:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age. |
| Amortization method | 30 year amortization of unfunded liability (closed period) as a level percent of pay, using layered bases starting July 1, 2009. |
| Remaining Amortization period | 23 years for the initial unfunded liability base established July 1, 2009. Bases established between July 1, 2010 and July 1, 2015 have remaining amortization periods ranging from 24 to 29 years. |
| Asset valuation method | 5 year phase-in of gains/losses relative to interest rate assumptions. |
| Inflation | 2.75% per year |
| Salary increases | 4.75% per year, including inflation. |
| Investment rate of return | 7.25%, net of pension plan investment expenses, including inflation. |
| Retirement age | Normal retirement age is attainment of age 65. Unreduced early retirement is available after either 1) 30 years of service, or 2) age 60 with 10 years of service. Reduced early retirement benefits are available after attainment of age 55 and completion of 5 years service (3 years of service if a participant prior to January 1, 2001). |
| Mortality | Future mortality follows the 1994 Group Annuity Mortality Basic table projected to 2004 using Scale AA. |

LAS VEGAS VALLEY WATER DISTRICT
SCHEDULE OF DEFINED BENEFIT PLAN INVESTMENT RETURNS
LAST TEN FISCAL YEARS
(Unaudited)

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-------|-------|--------|-------|------|------|------|------|------|------|
| Actual money-weighted rate of return, net of investment expense | 1.20% | 4.54% | 15.99% | 9.15% | n/a | n/a | n/a | n/a | n/a | n/a |

GASB No. 67 requires the disclosure of the money-weighted rate of return on Plan investments. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportionate amount of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. The money-weighted rate of return is calculated net of investment expense.

The required supplementary information is presented for fiscal years 2013 through 2016, for which information measured in conformity with the requirements of GASB No. 67 is available. This schedule will ultimately present information for the last 10 fiscal years.

LAS VEGAS VALLEY WATER DISTRICT
SCHEDULE OF FUNDING PROGRESS
POSTEMPLOYMENT BENEFIT PLAN OTHER THAN PENSION
PROPRIETARY ENTERPRISE FUND
(Unaudited)

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|---|-----------------|--------------------|--|
| 7/1/14 | \$0 | \$28,365,781 | \$28,365,781 | 0.0% | \$112,917,601 | 25.1% |
| 7/1/12 | 0 | 23,489,420 | 23,489,420 | 0.0% | 119,067,304 | 19.7% |
| 7/1/10 | 0 | 23,455,123 | 23,455,123 | 0.0% | 119,663,339 | 19.6% |
| 7/1/08 | 0 | 16,116,100 | 16,116,100 | 0.0% | 111,054,552 | 14.5% |
| 7/1/06 | 0 | 15,776,208 | 15,776,208 | 0.0% | 86,960,597 | 18.1% |

The actuarially determined AAL and UAAL involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The estimates are subject to continual revision.

The July 1, 2006 actuarial valuation is the first valuation of the postemployment benefit plan.

APPENDIX B

AUDITED BASIC FINANCIAL STATEMENTS OF THE SOUTHERN NEVADA WATER AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE: The audited basic financial statements of the SNWA included in this Appendix B have been excerpted from the SNWA's CAFR for the fiscal year ended June 30, 2016. The table of contents, introductory section, individual fund budgetary statements, and other items referred to in the auditor's report attached hereto have purposely been excluded from this Official Statement. Such information provides supporting details and is not necessary for a fair presentation of the basic financial statements of the SNWA. Other items contained in the CAFR also have been excluded from this Appendix B.

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 | 5,720.3 | 558.5 | 5,161.8 | 108.6 | 5,053.2 |
| 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 | 4,049.9 | 446.7 | 3,603.1 | 44.1 | 3,559.1 |
| 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

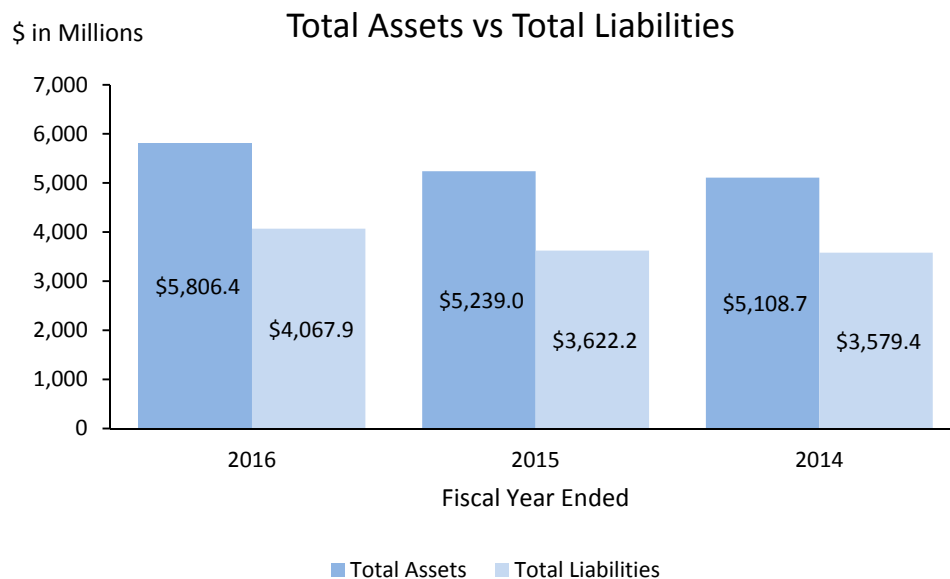
Management's Discussion and Analysis
For the fiscal years ended June 30, 2016 and 2015

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)

| | 2016 | Change | 2015 | Change | 2014 |
|--|-------------------|------------------|-------------------|----------------|-------------------|
| 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 | 176.1 | 49.7 | 126.4 | (0.2) | 126.6 |
| 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 | 225.8 | 22.5 | 203.3 | (10.7) | 214.0 |
| Total Operating Loss | (49.6) | 27.3 | (76.9) | 10.5 | (87.4) |
| 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) | (129.3) | (74.1) | (55.2) | (9.8) | (45.4) |
| 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 | 121.8 | \$ (28.1) | 149.9 | \$ 44.8 | 105.1 |
| 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 | \$ 1,738.6 | | \$ 1,616.8 | | \$ 1,529.4 |

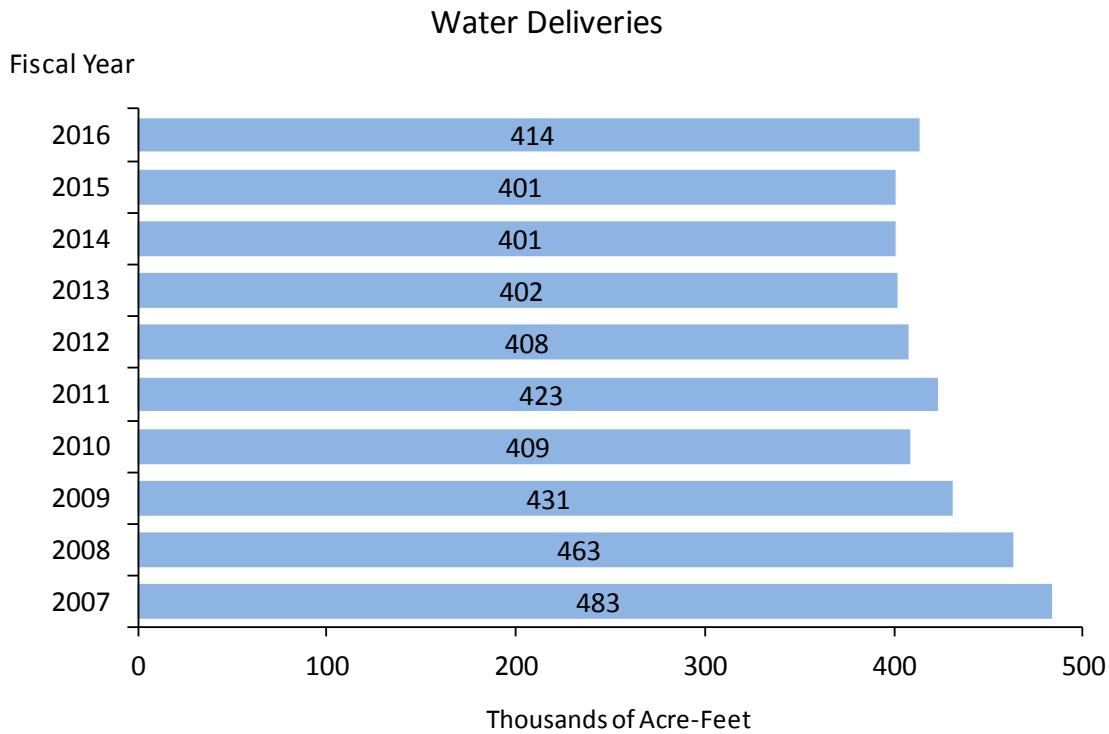
(Totals may not add due to rounding.)

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.

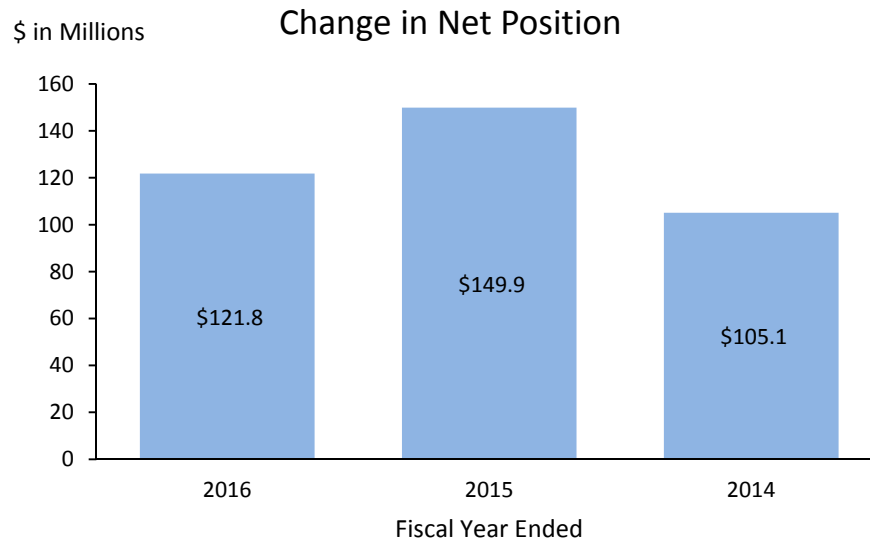
Nonoperating revenue increased \$2.4 million (140.1%) in fiscal year 2016, primarily due to an increase in funds available for investment related to the \$520.0 million raised from a bond issuance. Nonoperating revenue decreased \$0.7 million (28.3%) in fiscal year 2015, mainly related to less funds 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 | <u>552,185,708</u> | <u>143,089,163</u> |
| 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 | <u>514,323,110</u> | <u>480,114,098</u> |
| Total Current Assets | <u>1,066,508,818</u> | <u>623,203,261</u> |
| NONCURRENT ASSETS | | |
| Capital Assets | | |
| Capital Assets Subject to Depreciation | | |
| Property, Plant and Equipment | 4,370,802,831 | 3,057,699,286 |
| Accumulated Depreciation | <u>(1,181,350,555)</u> | <u>(1,091,391,818)</u> |
| Net Capital Assets Subject to Depreciation | <u>3,189,452,276</u> | <u>1,966,307,468</u> |
| 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 | <u>736,327,596</u> | <u>1,972,520,947</u> |
| Net Capital Assets Not Subject to Depreciation | <u>1,378,207,112</u> | <u>2,486,029,021</u> |
| Total Net Capital Assets | <u>4,567,659,388</u> | <u>4,452,336,489</u> |
| Other Noncurrent Assets | | |
| Water Recharge Inventory | <u>86,153,987</u> | <u>86,232,896</u> |
| Total Noncurrent Assets | <u>4,653,813,375</u> | <u>4,538,569,385</u> |
| TOTAL ASSETS | <u>5,720,322,193</u> | <u>5,161,772,646</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Amount - Bond Refundings | 75,248,489 | 77,263,332 |
| Deferred Amount - Related Party | <u>10,815,978</u> | <u>-</u> |
| Total Deferred Outflows of Resources | <u>86,064,467</u> | <u>77,263,332</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 5,806,386,660</u> | <u>\$ 5,239,035,978</u> |

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

| | 2016 | 2015 |
|---|-------------------------|-------------------------|
| 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 | 176,148,485 | 126,398,716 |
| 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 | 225,760,441 | 203,269,593 |
| OPERATING LOSS | (49,611,956) | (76,870,877) |
| 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) | (129,259,898) | (55,176,758) |
| LOSS BEFORE CAPITAL CONTRIBUTIONS | (178,871,854) | (132,047,635) |
| Capital Contributions | 300,691,026 | 281,927,406 |
| CHANGE IN NET POSITION | 121,819,172 | 149,879,771 |
| 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 | \$ 1,738,577,993 | \$ 1,616,758,821 |

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><u>\$ 29,380,229</u></u> | <u><u>\$ 35,830,190</u></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><u>\$ 66,518,659</u></u> | <u><u>\$ 3,603</u></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 30, 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-I," "P-I" 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:

| | | Fair Value Measurements Using | | |
|------------------------------------|-----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | | (Level 1) | (Level 2) | (Level 3) |
| | June 30, 2016 | | | |
| 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 | 1,069,129 | - | 1,069,129 | - |
| 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:

| | | Fair Value Measurements Using | | |
|------------------------------------|-----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets | Significant Other Observable Inputs | Significant Other Unobservable Inputs |
| | June 30, 2015 | (Level 1) | (Level 2) | (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:

| Type | June 30, 2016 | June 30, 2015 |
|--|----------------------|----------------------|
| 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> |
| <i>(Totals may not add due to rounding.)</i> | | |

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:

| Type | June 30, 2016 | June 30, 2015 |
|--|----------------------|----------------------|
| 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> |
| <i>(Totals may not add due to rounding.)</i> | | |

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.

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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 |
|--|-----------------------------|-------------------------|---------------------|---------------------------|-----------------------------|
| <u>Capital Assets Subject to Depreciation</u> | | | | | |
| 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 |
| <u>Accumulated Depreciation</u> | | | | | |
| 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 |
| <u>Capital Assets Not Subject to Depreciation</u> | | | | | |
| 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 |
|--|-----------------------------|-----------------------|---------------------|---------------------------|-----------------------------|
| <u>Capital Assets Subject to Depreciation</u> | | | | | |
| 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 |
| <u>Accumulated Depreciation</u> | | | | | |
| 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 |
| <u>Capital Assets Not Subject to Depreciation</u> | | | | | |
| 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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Notes to Basic Financial Statements
For the fiscal years ended June 30, 2016 and 2015

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:

| Type | June 30, 2016 | June 30, 2015 |
|--|-----------------------|-------------------------|
| 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> |
| <i>(Totals may not add due to rounding.)</i> | | |

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 counter-party 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 | <u>(2,624,180,000)</u> | <u>(2,002,960,000)</u> |
| Balance End of Period | <u>\$ 400,000,000</u> | <u>\$ 400,000,000</u> |
| 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%.

SOUTHERN NEVADA WATER AUTHORITY

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

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> | 3,262,587,906 |
| 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 | <u>\$ 3,262,587,906</u> | <u>\$ 106,181,517</u> | 3,156,406,390 | <u>\$ 19,919,404</u> |
| Unamortized Discounts and Premiums | | | <u>265,871,073</u> | |
| Net Long-Term Portion | | | <u>\$ 3,422,277,463</u> | |
| <i>(Totals may not add due to rounding.)</i> | | | | |

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>\$ 3,096,083,402</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 | <u>7,958,322</u> | <u>1,293,711</u> | <u>6,664,612</u> | <u>116,543</u> |
| 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 | <u>2,946,364,836</u> | <u>82,751,540</u> | <u>2,863,613,296</u> | <u>13,388,481</u> |
| 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>\$ 3,528,458,979</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:

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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 | <u>\$ 300,691,026</u> | <u>\$ 281,927,406</u> |

(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 | <u>\$ 289,597,177</u> | <u>\$ 261,381,108</u> |

(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.

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Notes to Basic Financial Statements

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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.

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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%.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE 2017A BOND RESOLUTION

The following statements are summaries of certain provisions of the “2017A LVVWD Refunding Bond Resolution” (the “2017A Bond Resolution”). Such statements do not purport to be complete and reference is made to the 2017A Bond Resolution, copies of which are on file and available for examination at the principal office of the District.

Certain Definitions

Certain terms used in the 2017A Bond Resolution are defined substantially as follows:

“BAB Credit” means the credit received by the District as provided in Section 6431 of the Tax Code, in lieu of any credit otherwise available to bond holders under Section 54AA(a) of the Tax Code.

“Bond Requirements” means the principal of and the interest on the Bonds, as such principal and interest become due at maturity or on a redemption date, or otherwise.

For purposes of computing the Bond Requirements of variable interest rate Superior Lien Obligations or Parity Lien Obligations with respect to which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the District pursuant to the Qualified Swap; or (b) for purposes of computing combined average annual principal and interest requirements, for purposes of computing the maximum annual principal and interest requirements, and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities) shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under the 2017A Bond Resolution shall take into account payments due the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no Superior Lien Obligations or Parity Lien Obligations remain outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of outstanding Superior Lien Obligations or Parity Lien Obligations to which such Qualified Swap relates, (a) for purposes of Sections 39 through 45 of the 2017A Bond Resolution, the interest payable thereon shall be deemed to be the net amount positive or negative, if any, required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap, and (b) for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the District to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the District thereunder.

For purposes of computing the maximum annual principal and interest requirements and for purposes of any other computations for the issuance of additional superior or parity securities (including refunding securities), in making any calculation of the Bond Requirements to be paid for a period after the date of computation on any bonds with respect to which the District expects to receive a BAB Credit, such as the 2010A Bonds, “interest” for any Bond Year shall be treated as the amount of interest to be paid by the District on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to interest payments on those bonds in that Bond Year and required by the resolution or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year or to reimburse the District for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as the date of such a calculation, “interest” shall be the total amount of interest to be paid by the District on the bonds without a deduction for the credit to be paid by the United States under Section 6431 of the Tax Code. The Chief Financial Officer of the District may certify in writing the expected amount and expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of computing the maximum annual principal and interest requirements and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities).

“Bonds” means the 2017A Bonds issued pursuant to the 2017A Bond Resolution.

“combined average annual principal and interest requirements” means (i) the sum of the Bond Requirements of the Bonds and any other Superior Lien Obligations and Parity Lien Obligations payable from the Net Pledged Revenues, which Bond Requirements come due during any fiscal year from the date of calculation to the last day on which any of the Bonds are due and payable, but not including any securities which are no longer outstanding under the defeasance provisions of the 2017A Bond Resolution, (ii) divided by the number of years (including any fraction thereof) from the date of the calculation of the combined average annual principal and interest requirements to the last day on which any of the Bonds are due and payable. If any Superior Lien Obligation or Parity Lien Obligation bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations and Parity Lien Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed Superior Lien Obligations or Parity Lien Obligations is accepted by the District or if such index is no longer published, such other similar long-term bond index as the District reasonably selects.

“combined maximum annual principal and interest requirements” means the maximum sum of the principal of and the interest (including any BAB Credit received by the District and any payments to be made (positive or negative) on any Qualified Swap as provided in the definition of “Bond Requirements”) on the Bonds and any other Superior Lien Obligations or Parity Lien Obligations, falling due during any one fiscal year for the period beginning with the fiscal year in which such computation is made and ending with the fiscal year in which any Bonds last become due and payable but not including any securities which are no longer outstanding under the defeasance provisions of the 2017A Bond Resolution. If any Superior Lien Obligation or Parity Lien Obligation bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations or Parity Lien Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date an firm offer to purchase the then proposed Superior Lien Obligations or Parity Lien Obligations is accepted by the District or if such index is no longer published, such other comparable securities index as the District reasonably selects.

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

“General Taxes” means general (ad valorem) taxes levied by Clark County, Nevada against all taxable property within the boundaries of the District.

“Net Pledged Revenues” means the revenues received by the District from the sale or distribution of water, connection charges, or otherwise derived from the works or property of the District (including works and properties hereafter constructed or acquired) after payment therefrom of the reasonable and necessary costs of the operation and maintenance of the works and properties of the District and the general expenses of the District.

“Parity Lien Obligations” means the outstanding:

A. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Improvement and Refunding Bonds, Series 2008A, in the original principal amount of \$190,760,000;

B. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Bonds, Series 2010A (Taxable Direct Pay Build America Bonds) in the original principal amount of \$75,995,000;

C. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water and Refunding Bonds, Series 2010B in the original principal amount of \$31,075,000;

D. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2011D (Tax-Exempt) in the original principal amount of \$78,680,000; and

E. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2012A in the original principal amount of \$39,310,000;

F. General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2014 in the original principal amount of \$20,000,000;

G. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2015A in the original principal amount of \$172,430,000;

H. General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues), Water Refunding Bonds, Series 2016B, in the original principal amount of \$108,220,000;

I. General Obligation (Limited Tax) Water Bond (Additionally Secured by Pledged Revenues), Series 2016C, in the maximum principal amount of \$15,000,000;

and any other bonds or other securities hereafter issued on a parity with the Parity Lien Obligations.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., or any successor serving as paying agent for the Bonds.

“Qualified Swap” means any financial arrangement (i) that is entered into by the District with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) that provides that the District shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to a designated principal amount of variable interest rate Superior Lien Obligations or Parity Lien Obligations outstanding as described therein, and that such entity shall pay to the District an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Superior Lien Obligations or Parity Lien Obligations) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing by the District as a Qualified Swap with respect to such obligations.

“Qualified Swap Provider” means a financial institution whose senior long-term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated by whichever of Standard and Poor’s Ratings Service or Moody’s Investors Service as then has a rating in effect for the Bonds or both such agencies if both then have a rating in effect for the Bonds, at the time the subject Qualified Swap is entered into at least “Aa” in the case of Moody’s and “AA” in the case of Standard & Poor’s, or the equivalent thereof.

“Registered owner” means the person in whose name a Bond shall be registered on the records of the District kept for that purpose by the Registrar in accordance with the provisions of the 2017A Bond Resolution.

“Registrar” means The Bank of New York Mellon Trust Company, N.A., or any successor serving as registrar for the Bonds.

“Superior Lien Obligations” means the obligations of the District issued with a lien on the Net Pledged Revenues which is superior to the lien of the Bonds, and which are issued as special obligations of the District.

“Tax Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

Security for the Bonds

The Bonds are general obligation bonds of the District and are additionally payable from and secured by the Net Pledged Revenues. To the extent other moneys are not available to pay the principal of, premium, if any and interest on the Bonds, the District has covenanted to levy and collect ad valorem taxes sufficient to make such payments.

The Bonds, together with the Parity Lien Obligations, constitute an irrevocable lien (but not necessarily an exclusive lien) on the Net Pledged Revenues subject to the prior lien thereon for payment of the Superior Lien Obligations.

Flow of Funds

All moneys received by the District from the sale or distribution of water, connection charges or otherwise derived from the works or property of the District shall be paid into the Revenue Fund, and no disbursements shall be made from the Revenue Fund except as provided in the 2017A Bond Resolution. After making payments for the operation and maintenance expenses and general District expenses into the "Water Maintenance and Operation Fund," and transferring the required sums into the funds for any Superior Lien Obligations (i.e., including any superior bond fund, rebate fund and reserve fund as provided in the 2017A Bond Resolution) and concurrently with the requirements of the resolutions authorizing other Parity Lien Obligations:

A. moneys in the Revenue Fund shall be transferred on the first day of each month commencing on the first day of the month after the month in which the Bonds are dated (after taking into account any accrued interest paid into the Bond Fund) there shall be set aside from the Revenue Fund, there shall be simultaneously transferred to and placed in the Bond Fund: (i) a sum at least equal to the amount, if paid monthly, of the interest coming due on the Bonds on the first interest payment date of the Bonds, and monthly thereafter a sum equal to 1/6 of the payment of the semiannual interest coming due on the Bonds, and (ii) a sum at least equal to the amount, if paid monthly, of the principal coming due on the Bonds on the first principal payment date of the Bonds, and monthly thereafter, a sum equal to 1/12 of the amount necessary, together with any other moneys from time to time available therefor from whatever source, including without limitation the moneys, if any provided from any BAB Credit received by the District, to pay the next maturing installment of principal of the Bonds then outstanding. The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds as the Bond Requirements become due.

B. subsequent to the payments summarized in (a) above, there must be deposited into the "2017A General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2017A Rebate Fund" created in the 2017A Bond Resolution ("the 2017A Rebate Fund") (and the rebate funds for Parity Lien Obligations) the amounts required pursuant to Section 148 of the Tax Code and the regulations thereunder; and

C. subsequent to the payments summarized in (a) and (b) above, there may be paid out of any moneys remaining in the Revenue Fund the payment of bond requirements of subordinate securities payable from the Net Pledged Revenues and hereafter authorized to be issued, including reasonable reserves for such securities.

No payment need be made into the Bond Fund if the amounts in the Bond Fund total a sum at least equal to the entire amount of the outstanding Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such Fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

If at any time (including a date on which a payment under a Qualified Swap is due) the District shall for any reason fail to pay into the Bond Fund or the 2017A Rebate Fund the full amount above stipulated from Net Pledged Revenues, then an amount shall be paid first into the Bond Fund and

second into the 2017A Rebate Fund at such time equal to the difference between that paid from the Net Pledged Revenues and the full amount so stipulated, from the first Net Pledged Revenues available therefor. If Parity Lien Obligations (other than the Bonds) are outstanding, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate fund therefor, then the moneys replaced in such bond fund, reserve fund or rebate fund shall be replaced on a pro rata basis related to the principal amount of the then outstanding Bonds and the then outstanding other Parity Lien Obligations, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate funds.

Parity Lien Obligations

Parity Lien Obligations (including refunding bonds) may be issued if:

A. at the time of the adoption of the resolution authorizing the issuance of such Parity Lien Obligations, the District is not in default in making any payments required to be made into the debt service, sinking or reserve funds for any outstanding obligations payable from the Net Pledged Revenues; and

B. The Net Pledged Revenues (subject to adjustments as hereinafter provided) projected by the General Manager, Chief Financial Officer of the District or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the facilities to be financed with the proceeds of the additional Parity Lien Obligations are projected to be completed or (ii) the first fiscal year for which no interest has been capitalized for the payment of any Parity Lien Obligations, including the Parity Lien Obligations proposed to be issued, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the Superior Lien Obligations, the outstanding Parity Lien Obligations, any other additional outstanding Parity Lien Obligations of the District and the Parity Lien Obligations proposed to be issued (excluding any reserves therefor).

In any determination of whether or not additional Parity Lien Obligations may be issued in accordance with the foregoing earnings test, consideration shall be given to any probable estimated increase or reduction in operation and maintenance expenses that will result from the expenditure of the funds proposed to be derived from the issuance and sale of the additional Parity Lien Obligations.

In any determination of whether or not additional Parity Lien Obligations may be issued in accordance with the foregoing earnings test (i) the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities; and (ii) the respective annual principal and interest requirements shall be reduced to the extent of the amount of principal and interest of any outstanding securities with a term of one year or less which the General Manager or Chief Financial Officer of the District certifies are expected to be refunded. The certificate shall also provide an estimate of the debt service for the long-term refunding obligations that will refund the securities with the term of one year or less, calculated based on an interest rate equal to the "25 Bond Revenue Index" most recently published in The Bond Buyer prior to the date of certification.

For the purposes of paragraph A above, if any Superior Lien Obligation or Parity Lien Obligation bears or is proposed to bear interest at a variable interest rate and is not covered by a Qualified

Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations or Parity Lien Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed Superior Lien Obligations or Parity Lien Obligations is accepted by the District or if such index is no longer published such other similar long-term bond index as the District reasonably selects. In addition, any such variable interest rate securities must meet the requirements of the insurer of the Bonds, if any.

Termination payments due under a Qualified Swap Agreement must be subordinate to the payments of the Bond Requirements of any Bonds, unless all of the outstanding Bonds are insured by a bond insurer whose rating issued by Standard and Poor’s Rating Services or Moody’s Investors Service or both (whichever has a rating in effect for the outstanding Bonds) is equal to or better than the rating the Bonds would have without such insurance, and the insurer of the outstanding Bonds consents to the lien position of such termination payment prior to the execution of such Qualified Swap Agreement.

In connection with the authorization of any such additional securities the Board may on behalf of the District adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the District provided in the 2017A Bond Resolution and no such covenant or agreement may be materially adverse to the interests of the holders of the Bonds. Any finding of the District to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of the 2017A Bond Resolution.

The Bonds and any Parity Lien Obligations hereafter outstanding will not be entitled to any priority one over the other in the application of the Net Pledged Revenues, regardless of the time or times of the issuance of the Bonds and any other such securities.

Superior Lien Obligations

Additional Superior Lien Obligations may be issued if the proposed Superior Lien Obligations meet the earnings test for the issuance of Parity Lien Obligations listed above, meets the applicable earnings test required by the resolutions authorizing the issuance of the outstanding Superior Lien Obligations, and are issued as special obligations of the District.

Subordinate Bonds

The 2017A Bond Resolution provides that the District may issue subordinate bonds or securities.

Tax Covenant

The District covenants for the benefit of the registered owners of the Bonds that it will not take any action or omit to take any action with respect to the Bonds, the proceeds thereof, any other funds of the District or any facilities refinanced with the proceeds of the Bonds if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Tax Code, or (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except to the extent such interest is required to be included in the adjusted current earnings adjustment

applicable to corporations under Section 56 of the Tax Code in calculating corporate alternative minimum taxable income. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all obligations of the District in fulfilling the above covenant under the Tax Code have been met.

Rate Covenant

Subject to the limitation that the rates and charges must be reasonable, the District covenants in the 2017A Bond Resolution to charge fees, rates and other charges for the connection, service, facilities and water of the District which will be sufficient, after making allowances for contingencies and error in the estimates, to pay the following items of cost and expense in the order set forth: (a) costs of operating and maintaining the works and properties of the District; (b) the general expenses of the District; (c) the principal and interest on all Superior Lien Obligations as the same fall due (including any Superior Lien Obligations issued in the future); and (d) the principal and interest on all other bonds and other obligations of the District, including the Bonds, and the payments required to be made into the Bond Fund.

In addition, the District covenants that rates and charges shall be so fixed that annually, after payment from revenues of the costs of operation and maintenance and the general expenses of the District, the remaining revenue before depreciation, amortization and interest chargeable to the income account, as shown by the records of the District for the latest prior fiscal year with respect to which such records have been examined and reported upon by an independent accountant employed by the District, shall be at least one (1) times the combined average annual debt service on all outstanding bonds, notes and other indebtedness payable out of revenues.

Qualified Swap Covenant

The District covenants in the 2017A Bond Resolution that, at least 15 days in advance of entering into a Qualified Swap, the District will give written notice to Moody's Investors Service and Standard and Poor's Ratings Service, of such Qualified Swap and to provide Moody's Investors Service and Standard and Poor's Ratings Service with the proposed documentation evidencing such Qualified Swap.

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

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

Other Protective Covenants

The District also covenants with the registered owners of the Bonds that (a) it will at all times operate its works and properties in a sound and economical manner and will maintain, preserve and keep the same property, or cause the same to be so maintained, preserved and kept, in good repair, working order and condition, and will from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the waterworks may be properly and advantageously conducted; (b) it will not sell, lease or otherwise dispose of as a whole, or substantially as a whole, the works or properties of the District (unless provision is made for the payments required by the 2017A Bond Resolution or unless the District continues to operate the works and properties); (c) it will maintain with responsible insurers all such insurance as is customarily maintained with respect to works and properties of like character against loss of or damage to such works or properties and against public or other liability to the extent reasonably necessary to protect the interest of the District and the registered owners of the Bonds; (d) it will not furnish any free water or other service and will not charge any governmental entity lower rates than those charged other persons for similar services except that the District may under certain circumstances charge lower fees for water used for fire protection purposes; and (e) it will not issue any obligations having a priority over the Bonds for payment of principal and interest from general taxes.

Defeasance

When all the Bond Requirements of any Bond have been duly paid, the pledge, the lien and all obligations under the 2017A Bond Resolution will thereby be discharged as to that Bond, and the Bond will no longer be deemed to be Outstanding within the meaning of the 2017A Bond Resolution. There shall be deemed to be such due payment if the District has placed in escrow or in trust with a trust bank an amount sufficient, together with the known minimum yield available therefore from any initial investments in Federal Securities, to meet all Bond Requirements of the Bonds as the same become due to the final maturity of the Bonds or to any redemption date as of which the District shall have obligated itself to exercise its prior redemption option. When such defeasance is accomplished, the Paying Agent shall mail written notice of the defeasance to the registered owners of the Bonds at the addresses last shown on the registration records for the Bonds.

Amendment of the 2017A Bond Resolution

The 2017A Bond Resolution may be amended or supplemented without the consent of or notice to the holders of the Bonds for the purpose of curing any ambiguity or formal defect or omission in the 2017A Bond Resolution. The 2017A Bond Resolution may be amended or supplemented with the consent of the insurer of the Bonds, if any (as long as the insurer has not defaulted on its insurance policy with respect to such Bonds), in connection with any other amendment. The 2017A Bond Resolution may be amended or supplemented with the consent of the registered owners of 66-2/3% in aggregate principal amount of Bonds outstanding; but no amendment may permit the following without the consent of the insurer, if any, and registered owners of Bonds adversely affected thereby: (i) a change in the maturity or in the terms of redemption of the principal of any outstanding Bond or any installment of interest thereon; (ii) a reduction of the principal amount of any outstanding Bond, interest rate or redemption premium payable in connection with any Bond; (iii) a reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the registered owners of which is required favor any such amendment or modification; (iv) the establishment of priorities between Bonds issued and outstanding under the provisions of the 2017A Bond Resolution; or (v) any modification or otherwise

materially and prejudicially affecting the rights or privileges of the owners of less than all of the Bonds then outstanding.

Replacement of Paying Agent or Registrar

If the Registrar or Paying Agent initially appointed resigns, or if the Board reasonably determines that the Registrar or Paying Agent has become incapable of performing its duties, or that it is in the best interests of the District to replace the Paying Agent or Registrar, the Board may, upon notice mailed to each registered owner of the Bonds at his or her address last shown on the registration records, appoint a successor Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. The 2017A Bond Resolution does not require that the same institution serve as both Registrar and Paying Agent, but the District shall have the right to have the same institution serve as both Registrar and Paying Agent.

Any corporation or association into which the Registrar or Paying Agent may be converted or merged, or with which they may be consolidated, or to which they may sell or transfer their corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer, to which they are a party, shall be and become the successor Registrar or Paying Agent under the 2017A Bond Resolution, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties to the 2017A Bond Resolution.

SUMMARY OF CERTAIN PROVISIONS OF THE 2017B BOND RESOLUTION

The following statements are summaries of certain provisions of the “2017B SNWA Refunding Bond Resolution” (the “2017B Bond Resolution”). Such statements do not purport to be complete and reference is made to the 2017B Bond Resolution, copies of which are on file and available for examination at the principal office of the District.

Certain Definitions

Certain terms used in the 2017B Bond Resolution are defined substantially as follows:

“Bond Requirements” means the principal of, any prior redemption due in connection with, and the interest on the Bonds as such principal, premiums and interest become due at maturity or on a redemption date, or otherwise.

For purposes of computing the Bond Requirements of variable interest rate Superior Lien Obligations or Parity Lien Obligations with respect to which a Qualified Swap is in effect, the interest payable on such variable interest rate securities (a) except as provided in clause (b) of this sentence, shall be deemed to be the interest payable on such variable interest rate securities in accordance with the terms thereof plus any amount required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap or minus any amount required to be paid by the Qualified Swap Provider to the District pursuant to the Qualified Swap; or (b) for purposes of computing the maximum annual principal and interest requirements, and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities) shall be deemed to be the amount accruing at the fixed rate as provided in the Qualified Swap. No computation of Bond Requirements under the 2017B Bond Resolution shall take into account payments due the Qualified Swap Provider on the termination of the Qualified Swap unless such payments on termination are then unconditionally due and payable in accordance with the terms of the related Qualified Swap.

For purposes of computing the Bond Requirements of a Qualified Swap with respect to which no Superior Lien Obligations or Parity Lien Obligations remain outstanding or of that portion of a Qualified Swap with respect to which the notional amount is greater than the principal amount of outstanding Superior Lien Obligations or Parity Lien Obligations to which such Qualified Swap relates, (a) for purposes of Sections 39 through 47 of the 2017B Bond Resolution, the interest payable thereon shall be deemed to be the net amount positive or negative, if any, required to be paid by the District to the Qualified Swap Provider pursuant to the Qualified Swap, and (b) for purposes of any computation of Bond Requirements for a period after the date of computation, the interest payable thereon shall be deemed to be the net amount most recently paid, as of the date of computation, by the District to the Qualified Swap Provider thereunder or (expressed as a negative number) by the Qualified Swap Provider to the District thereunder.

For purposes of computing the maximum annual principal and interest requirements and for purposes of any other computations for the issuance of additional superior or parity securities (including refunding securities), in making any calculation of the Bond Requirements to be paid for a period after the date of computation on any bonds with respect to which the District expects to receive a BAB Credit (as defined in the resolutions authorizing the issuance of the 2009 Bonds), “interest” for any Bond Year shall be treated as the amount of interest to be paid by the District on those bonds in that Bond Year less the amount of the BAB Credit then expected to be paid by the United States with respect to

interest payments on those bonds in that Bond Year and required by the resolution or other instrument authorizing those bonds to be used to pay interest on those bonds in that Bond Year or to reimburse the District for amounts already used to pay interest on those bonds in that Bond Year. If the BAB Credit is not expected to be received as the date of such a calculation, “interest” shall be the total amount of interest to be paid by the District on the bonds without a deduction for the credit to be paid by the United States under Section 6431 of the Tax Code. The Chief Financial Officer of the District may certify in writing the expected amount and expected date of receipt of any BAB Credit, and that certificate shall be conclusive for purposes of computing the maximum annual principal and interest requirements and for purposes of any other computation for the issuance of additional superior or parity securities (including refunding securities).

“Bonds” means the 2017B Bonds issued pursuant to the 2017B Bond Resolution.

“combined maximum annual principal and interest requirements” means the maximum sum of the principal of and the interest (including any BAB Credit received by the District and any payments to be made (positive or negative) on any Qualified Swap as provided in the definition of “Bond Requirements”) on the Bonds and any other Superior Lien Obligations or Parity Lien Obligations, falling due during any one fiscal year for the period beginning with the fiscal year in which such computation is made and ending with the fiscal year in which any Bonds last become due and payable but not including any securities which are no longer outstanding under the defeasance provisions in the 2017B Bond Resolution. If any Superior Lien Obligation or Parity Lien Obligation bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations or Parity Lien Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed Superior Lien Obligations or Parity Lien Obligations is accepted by the District or if such index is no longer published, such other securities index as the District reasonably selects.

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

“General Taxes” means general (ad valorem) taxes levied by Clark County, Nevada against all taxable property within the boundaries of the District.

“Parity Lien Obligations” “parity securities” or “parity bonds” means bonds or securities which have a lien on the SNWA Pledged Revenues that is on a parity with the lien thereon of the Bonds, including, but not limited to the following:

A. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Refunding Bonds, Series 2008B:

B. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Bonds, Series 2009A (Taxable Direct Pay Build America Bonds);

C. Las Vegas Valley Water District, Nevada (the “2009A Bonds”); General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Bonds, Series 2009B;

D. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water and Refunding Bonds, Series 2009D;

E. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Refunding Bonds, Series 2011A;

F. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Refunding Bonds, Series 2011B (Taxable);

G. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Refunding Bonds, Series 2011C (Tax-Exempt);

H. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Bonds, Series 2012B;

I. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2015;

J. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2015B;

K. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2015C;

L. Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Improvement and Refunding Bonds, Series 2016A;

and any bonds hereafter issued on a parity with the lien of the Bonds.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., or any successor serving as paying agent for the Bonds.

“Qualified Swap” means any financial arrangement (i) that is entered into by the District with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) that provides that the District shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to a designated principal amount of variable interest rate Superior Lien Obligations or Parity Lien Obligations outstanding as described therein, and that such entity shall pay to the District an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by such Superior Lien Obligations or Parity Lien Obligations) or that one shall pay to the

other any net amount due under such arrangement; and (iii) which has been designated in writing by the District as a Qualified Swap with respect to such obligations.

“Qualified Swap Provider” means a financial institution whose senior long-term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated by whichever of Standard and Poor’s Ratings Service or Moody’s Investors Service as then has a rating in effect for the Bonds or both such agencies if both then have a rating in effect for the Bonds, at the time the subject Qualified Swap is entered into at least “Aa” in the case of Moody’s and “AA” in the case of Standard & Poor’s, or the equivalent thereof.

“Registered owner” means the person in whose name a Bond shall be registered on the records of the District kept for that purpose by the Registrar in accordance with the provisions of the 2017B Bond Resolution.

“Registrar” means The Bank of New York Mellon Trust Company, N.A., or any successor serving as registrar for the Bonds.

“SNWA” means Southern Nevada Water Authority in Clark County, Nevada.

“SNWA Agreement” means the SNWA/LVVWD Master Bond Repayment Agreement dated as of July 1, 1996, as amended, between the SNWA and the District pursuant to which SNWA Pledged Revenues are paid to the District.

“SNWA Pledged Revenues” means the revenues received by the District from SNWA pursuant to the SNWA Agreement.

“State” means the State of Nevada.

“Superior Lien Obligations,” “superior securities” or “superior bonds” means bonds or securities which have a lien on the SNWA Pledged Revenues that is superior to the lien thereon of the Bonds.

“Tax Code” means the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds.

Security for the Bonds

The Bonds are general obligation bonds of the District and are additionally payable from and secured by the SNWA Pledged Revenues. To the extent other moneys are not available to pay the principal of, premium, if any and interest on the Bonds, the District has covenanted to levy and collect ad valorem taxes sufficient to make such payments.

The Bonds, together with the Parity Lien Obligations, constitute an irrevocable lien (but not necessarily an exclusive lien) on the SNWA Pledged Revenues subject to the superior liens of any obligations issued superior to the Bonds.

Pledge of Revenues

Subject only to the right of the District and the SNWA to cause amounts to be withdrawn to pay the cost of the project as provided in the 2017B Bond Resolution, the SNWA Pledged Revenues and all moneys and securities paid or to be paid to or held or to be held in any fund or account under the 2017B Bond Resolution, excluding, however, those funds held in the Escrow Account (relating to the redemption of the 2009B Bonds and the 2009D Bonds described in the forepart of this Official Statement) and the Rebate Account (as described below), are also pledged to secure the payment of the Bond Requirements of the Bonds.

Flow of Funds

All moneys received by the District from the SNWA pursuant to the SNWA Agreement and any other repayment agreement hereafter entered into between the SNWA and the District, which by its terms requires the District to deposit revenues received pursuant to that agreement in the Revenue Fund, shall be paid into the Revenue Fund, and no disbursements shall be made from the Revenue Fund except as provided in the 2017B Bond Resolution. Payments shall be made, as necessary, from the Revenue Fund to any fund thereafter created to pay, when due, principal of and interest on any Superior Lien Obligations (including payments due on any Qualified Swap), together with any amount required to be paid to the United States in compliance with Section 148(f) of the Tax Code for the Superior Lien Obligations. Second, payments shall be made as required by any resolution authorizing the issuance of any Superior Lien Obligation to any reserve fund created for the Superior Lien Obligation. Third, and concurrently with the transfers to the bond funds created with respect to the outstanding Parity Lien Obligations, the following transfers shall be made to the Bond Fund, on or before the date the District is required to transmit the corresponding payment to the registered owners of the Bonds, to pay the principal of and interest on the Bonds together with any Parity Lien Obligations thereafter issued (including payments due on any Qualified Swap).

So long as any of the Bonds are outstanding, there shall be transferred to and placed in the Bond Fund (together with any other moneys from time to time available therefor from whatever source): (i) a sum at least equal to the amount of the interest coming due on the Bonds on the first interest payment date of the Bonds, and semiannually thereafter, a sum equal to the amount necessary to pay the next maturing installment of interest on the Bonds; and (ii) a sum at least equal to the amount of the principal coming due on the Bonds on the first principal payment date of the Bonds, and annually thereafter, a sum equal to the amount necessary to pay the next maturing installment of principal of the Bonds then outstanding. The money credited to the Bond Fund shall be used to pay the Bond Requirements of the Bonds as the Bond Requirements become due.

Fourth, and concurrently with transfers to the rebate accounts created with respect to the outstanding Parity Lien Obligations, there shall be credited to the "General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Improvement and Refunding Bonds, Series 2017B, Rebate Account" created in the 2017B Bond Resolution (the "Rebate Account") and any rebate account thereafter created for any Parity Lien Obligations, such amounts as are required to be deposited in each and to the Rebate Account such amounts as are required to be deposited therein to meet the District's obligations in accordance with Section 148(f) of the Tax Code. Such deposits shall be made at such times as are required by Section 148(f) of the Tax Code and amounts in the Rebate Account shall be used for the purpose of making the payments to the United States required by Section 148(f) of the Tax Code. Any

amounts in the Rebate Account in excess of those required to be on deposit therein may be withdrawn therefrom and deposited into the Revenue Fund.

No payment need be made into the Bond Fund if the amounts in the Bond Fund equal a sum at least equal to the entire amount of the outstanding Bonds as to all Bond Requirements to their respective maturities both accrued and not accrued, in which case moneys in such fund in an amount, except for any interest or other gain to accrue from any investment of moneys in Federal Securities from the time of any such investment to the time or respective times the proceeds of any such investment or deposit shall be needed for such payment, at least equal to such Bond Requirements, shall be used, together with any such gain from such investments, solely to pay such Bond Requirements as the same become due.

If at any time (including a date on which a payment under a Qualified Swap is due) the District shall for any reason fail to pay into the Bond Fund or the Rebate Account the full amount above stipulated from the SNWA Pledged Revenues, then an amount shall be paid first into the Bond Fund and second into the Rebate Account at such time equal to the difference between that paid from the SNWA Pledged Revenues and the full amount so stipulated, from the first SNWA Pledged Revenues available therefor. If securities (other than the Bonds) are outstanding, the payment of which are secured by a lien on the SNWA Pledged Revenues which lien is on a parity with the lien hereon of the Bonds, and if the proceedings authorizing issuance of those securities require the replacement of moneys in a bond fund, reserve fund or rebate account therefor, then the moneys replaced in such bond fund, reserve fund or rebate account shall be replaced on a pro rata basis related to the principal amount of the then outstanding Bonds and the then outstanding other parity securities, as moneys become available therefor, first into all of such bond and reserve funds and second into all such rebate accounts.

Issuance of Additional Superior Lien Obligations or Parity Lien Obligations

Superior Lien Obligations or Parity Lien Obligations may be issued if:

A. At the time of the adoption of the resolution authorizing the issuance of such Superior Lien Obligations or Parity Lien Obligations, the District is not in default in making any payments required into the debt service, sinking or reserve funds for any outstanding obligations secured with a lien on the SNWA Pledged Revenues; and

B. 1. The SNWA Pledged Revenues (subject to adjustment as hereinafter provided) derived in the fiscal year immediately preceding the date of issuance of the additional Superior Lien Obligations or Parity Lien Obligations shall have been at least sufficient to pay an amount equal to the combined maximum annual principal and interest requirements of the outstanding Bonds and any other outstanding Superior Lien Obligations and Parity Lien Obligations, and the obligations proposed to be issued; or

2. The SNWA Pledged Revenues (subject to adjustment as hereinafter provided) projected by the District General Manager or an independent accountant or consulting engineer to be derived in the later of (i) the fiscal year immediately following the fiscal year in which the additional Parity Lien Obligations or Superior Lien Obligations are issued or (ii) the first fiscal year in which all principal and interest payable on the additional Parity Lien Obligations or Superior Lien Obligations to be paid from proceeds of the SNWA Pledged Revenues, will be sufficient to pay at least an amount equal to the principal and interest requirements (to be paid during that fiscal year) of the Bonds,

any other outstanding Parity Lien Obligations and Superior Lien Obligations and the obligations proposed to be issued.

In any determination of whether or not additional parity securities may be issued in accordance with the foregoing earnings test (i) the respective annual principal (or redemption price) and interest requirements shall be reduced to the extent such requirements are scheduled to be paid with moneys held in trust or in escrow for that purpose by any trust bank within or without the State, including the known minimum yield from any investment in Federal Securities; and (ii) the respective annual principal and interest requirements shall be reduced to the extent of the amount of principal and interest of any outstanding securities with a term of one year or less which the General Manager or Chief Financial Officer of the District certifies are expected to be refunded. The certificate shall also provide an estimate of the debt service for the long-term refunding obligations that will refund the securities with the term of one year or less, calculated based on an interest rate equal to the “25 Bond Revenue Index” most recently published in The Bond Buyer prior to the date of certification.

For the purposes of paragraph B above, if any Superior Lien Obligation or Parity Lien Obligation bears interest at a variable interest rate and is not covered by a Qualified Swap, the rate of interest used in the foregoing test shall be the lesser of the maximum permitted rate of interest on those Superior Lien Obligations or Parity Lien Obligations or a rate equal to the “25 Bond Revenue Index” as most recently published in The Bond Buyer prior to the date a firm offer to purchase the then proposed Superior Lien Obligations or Parity Lien Obligations is accepted by the District or if such index is no longer published such other similar long-term bond index as the District reasonably selects. In addition, any such variable interest rate securities must meet the requirements of the insurer of the Bonds, if any.

Termination payments due under a Qualified Swap Agreement must be subordinate to the payments of the Bond Requirements of any Bonds, unless all of the outstanding Bonds are insured by a bond insurer whose rating issued by Standard and Poor’s Rating Services or Moody’s Investors Service or both (whichever has a rating in effect for the outstanding Bonds) is equal to or better than the rating the Bonds would have without such insurance, and the insurer of the outstanding Bonds consents to the lien position of such termination payment prior to the execution of such Qualified Swap Agreement.

In connection with the authorization of any such additional securities the Board may on behalf of the District adopt any additional covenants or agreements with the holders of such additional securities; provided, however, that no such covenant or agreement may be in conflict with the covenants and agreements of the District in the 2017B Bond Resolution. Any finding of the District to the effect that the foregoing requirements are met shall, if made in good faith, conclusively establish that the foregoing requirements have been met for purposes of the 2017B Bond Resolution.

A written certification or written opinion based upon estimates, as provided above, that the annual revenues when adjusted as herein provided are sufficient to pay such amounts as provided in paragraph B above, shall be conclusively presumed to be accurate in determining the right of the District to authorize, issue, sell and deliver additional bonds, notes, or other additional securities on a parity with or superior to the Bonds.

Subordinate Bonds

The 2017B Bond Resolution provides that the District may issue additional bonds or securities payable from the SNWA Pledged Revenues having a lien thereon subordinate, inferior and junior to the lien thereon of the Bonds.

Refunding Securities

At any time after the Bonds, or any part thereof, are issued and remain outstanding, if the District shall find it desirable to refund any outstanding Bonds or other outstanding parity or subordinate securities, such Bonds or other securities, or any part thereof, may be refunded only if the Bonds or other securities at the time or times of their required surrender for payment shall then mature or shall be then callable for prior redemption for the purpose of refunding them at the District's option upon proper call, unless the owner or owners of all such outstanding securities consent to such surrender and payment, regardless of whether the priority of the lien for the payment of the refunding securities on the SNWA Pledged Revenues is changed (except as provided in paragraph C below).

A. If so provided in the instrument authorizing the refunding securities, the refunding securities so issued shall enjoy complete equality of lien with the portion of any securities of the same issue which is not refunded, if there is any; and the owner or owners of the refunding securities shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the unrefunded securities of the same issue partially refunded by the refunding securities.

B. Any refunding bonds or other refunding securities payable from any SNWA Pledged Revenues shall be issued with such details as the Board may by resolution provide, subject to the provisions of this Section but without any impairment of any contractual obligation imposed upon the District by any proceedings authorizing the issuance of any unrefunded portion of the outstanding securities of any one or more issues (including, without limitation, the Bonds).

C. If only a part of the outstanding Bonds and other outstanding securities of any issue or issues payable from the SNWA Pledged Revenues is refunded, then such securities may not be refunded without the consent of the owner or owners of the unrefunded portion of such securities:

(1) Unless the refunding bonds or other refunding securities do not increase for any bond year the aggregate principal and interest requirements evidenced by the refunding securities and by the outstanding securities not refunded on and before the last maturity date or last redemption date, if any, whichever is later, of the unrefunded securities, and unless the lien of any refunding bonds or other refunding securities on the SNWA Pledged Revenues is not raised to a higher priority than the lien thereon of the Bonds or other securities thereby refunded; or

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

(3) Unless the refunding bonds or other refunding securities are issued in compliance with "Issuance of Additional Superior Lien Obligations or Parity Lien Obligations" above.

Tax Covenant

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

Other Protective Covenants

The District also covenants with the registered owners of the Bonds that (a) it will enforce the terms of the SNWA Agreement, and shall not consent to an amendment of the SNWA Agreement which would reduce or delay the receipt of the SNWA Pledged Revenues by the District; (b) it will keep proper books of record and account, in accordance with sound accounting practice; and (c) it will not issue any obligations having a priority over the Bonds for payment of principal and interest from General Taxes.

Qualified Swap Covenant

In the 2017B Bond Resolution, the District covenants that, at least 15 days in advance of entering into a Qualified Swap, the District will give written notice to Moody's Investors Service and Standard and Poor's Ratings Service, of such Qualified Swap and to provide Moody's Investors Service and Standard and Poor's Ratings Service with the proposed documentation evidencing such Qualified Swap.

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

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

Defeasance

When all the Bond Requirements of any Bond have been duly paid, the pledge, the lien and all obligations under the 2017B Bond Resolution will thereby be discharged as to that Bond, and the

Bond will no longer be deemed to be Outstanding within the meaning of the 2017B Bond Resolution. There shall be deemed to be such due payment if the District has placed in escrow or in trust with a trust bank an amount sufficient, together with the known minimum yield available therefore from any initial investments in Federal Securities, to meet all Bond Requirements of the Bonds as the same become due to the final maturity of the Bonds or to any redemption date as of which the District shall have obligated itself to exercise its prior redemption option. When such defeasance is accomplished, the Paying Agent shall mail written notice of the defeasance to the registered owners of the Bonds at the addresses last shown on the registration records for the Bonds.

Amendment of the Bond Resolution

The 2017B Bond Resolution may be amended or supplemented without the consent of or notice to the holders of the Bonds for the purpose of curing any ambiguity or formal defect or omission in the 2017B Bond Resolution. The 2017B Bond Resolution may be amended or supplemented with the consent of the insurer of the Bonds, if any (as long as the insurer has not defaulted on its insurance policy with respect to such Bonds), in connection with any other amendment. The 2017B Bond Resolution may be amended or supplemented with the consent of the registered owners of 66-2/3% in aggregate principal amount of Bonds outstanding; but no amendment may permit the following without the consent of the insurer, if any, and registered owners of Bonds adversely affected thereby: (i) a change in the maturity or in the terms of redemption of the principal or any installment thereof of any outstanding Bond or any installment of interest thereon; (ii) a reduction in the principal amount of any Bond or the rate of interest thereon; (iii) a reduction of the principal amount or percentages or otherwise affecting the description of Bonds the consent of the registered owners of which is required for any modification or amendment; (iv) the establishment of priorities between Bonds issued and outstanding under the provisions of the 2017B Bond Resolution; or (v) any modification or otherwise materially and prejudicially affecting the rights or privileges of the owners of less than all of the Bonds then outstanding.

Replacement of Paying Agent or Registrar

If the Registrar or Paying Agent initially appointed resigns, or if the Board reasonably determines that the Registrar or Paying Agent has become incapable of performing its duties, or that it is in the best interests of the District to replace the Paying Agent or Registrar, the Board may, upon notice mailed to each registered owner of the Bonds at his or her address last shown on the registration records, appoint a successor or Registrar or Paying Agent, or both. No resignation or dismissal of the Registrar or Paying Agent may take effect until a successor is appointed. The 2017B Bond Resolution does not require that the same institution serve as both Registrar and Paying Agent, but the District shall have the right to have the same institution serve as both Registrar and Paying Agent.

Any corporation or association into which the Registrar or Paying Agent may be converted or merged, or with which they may be consolidated, or to which they may sell or transfer their corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer, to which they are a party, shall be and become the successor Registrar or Paying Agent under the 2017B Bond Resolution, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties to the 2017B Bond Resolution.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the District or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2017 Bonds certificates are required to be printed and delivered.

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

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

APPENDIX E

FORMS OF CONTINUING DISCLOSURE CERTIFICATE FOR THE DISTRICT AND SNWA

Form of 2017A and 2017B Continuing Disclosure Certificate of the District

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Las Vegas Valley Water District, Nevada (the “Issuer”) in connection with the issuance of: (i) the Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2017A, in the aggregate principal amount of \$_____ (the “2017A Bonds”); and (ii) the Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B, in the aggregate principal amount of \$_____ (the “2017B Bonds,” and together with 2017A Bonds, the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Directors of the Issuer on February 7, 2017 (the “Resolution”). The Issuer covenants and agrees as follows:

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer’s fiscal year of each year, commencing nine (9) months following the end of the Issuer’s fiscal year ending June 30, 2017, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report

to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

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

(c) The Dissemination Agent shall:

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

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

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

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

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

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

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

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

(a) Principal and interest payment delinquencies;

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

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

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

- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of bondholders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person¹;
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

¹ For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

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

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

DATE: March __, 2017.

LAS VEGAS VALLEY WATER
DISTRICT, NEVADA

Chief Financial Officer

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Las Vegas Valley Water District, Nevada

Name of Bond Issue: General Obligation (Limited Tax) (Additionally Secured by
Pledged Revenues) Water Refunding Bonds, Series 2017A

General Obligation (Limited Tax) (Additionally
Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series
2017B

CUSIP:

Date of Issuance: March __, 2017.

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Resolution adopted on February 7, 2017 and the Continuing Disclosure Certificate executed on March __, 2017 by the Issuer. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

LAS VEGAS VALLEY WATER
DISTRICT, NEVADA

By: _____

Title: _____

EXHIBIT “B”

Net Pledged Revenues

History of Assessed Valuation - Las Vegas Valley Water District, Nevada

Property Tax Levies, Collections and Delinquencies - Clark County, Nevada

Ten Largest Taxpayers in the County and the District

District Accounts and Consumption Information

Top Ten Principal Ratepayers

District Summary of Operating Revenues, Expenses and Changes in Fund Equity

District Outstanding Indebtedness

Form of 2017B Continuing Disclosure Certificate of SNWA

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Southern Nevada Water Authority (the “Authority”) on behalf of the Las Vegas Valley Water District, Nevada (the “District”) in connection with the issuance of the District’s General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B, in the aggregate principal amount of \$_____ (the “Bonds”) issued pursuant to the bond resolution of the District adopted February 7, 2017 (the “Resolution”). The Authority covenants and agrees as follows:

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

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

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

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

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

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

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

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

SECTION 3. Provision of Annual Reports

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than 270 days following the end of the Authority’s fiscal year of each year, commencing 270 days following the end of the Authority’s fiscal year ending June 30, 2017, provide to the MSRB in electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days

prior to said date, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Authority may be submitted separately from the balance of the Annual Report.

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

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;
- (ii) if the Dissemination Agent is other than the Authority, send written notice to the Authority at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and
- (ii) if the Dissemination Agent is other than the Authority, file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided..

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

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

(b) An update of the type of information identified in Exhibit “B” hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

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

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

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of bondholders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person²;
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

² For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

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

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

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

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

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

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

of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

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

DATE: March __, 2017.

SOUTHERN NEVADA WATER AUTHORITY,
NEVADA

Treasurer

EXHIBIT “A”

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Bond Issuer: Las Vegas Valley Water District, Nevada

Name of Bond Issue: General Obligation (Limited Tax) (Additionally Secured by
SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B

CUSIP:

Date of Issuance: March __, 2017.

NOTICE IS HEREBY GIVEN that the Authority has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on March __, 2017 by the Authority. The Authority anticipates that the Annual Report will be filed by _____.

Dated: _____

SOUTHERN NEVADA WATER AUTHORITY,
NEVADA

By: _____
Its: _____

EXHIBIT “B”

Historic SNWA Pledged Revenues

History of SNWA Water Revenues

SNWA Summary of Operating Revenues, Expenses and Changes in Fund Equity

Annual Treated Water Delivered by the Southern Nevada Water System

APPENDIX F

FORM OF APPROVING OPINIONS OF BOND COUNSEL

March __, 2017

Las Vegas Valley Water District, Nevada
1001 South Valley View
Las Vegas, Nevada 89153

\$ _____
Las Vegas Valley Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by Pledged Revenues)
Water Refunding Bonds
Series 2017A

Ladies and Gentlemen:

We have acted as bond counsel to the Las Vegas Valley Water District (the “District”), Nevada (the “State”), in connection with the issuance of its “General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2017A” in the aggregate principal amount of \$_____ (the “Bonds”), pursuant to an authorizing resolution adopted and approved by the District’s Board of Directors on February 7, 2017 (the “Bond Resolution”). In such capacity, we have examined the District’s certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Resolution.

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

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

1. The Bonds constitute valid and binding, limited tax general obligations of the District.
2. All of the taxable property in the District is subject to the levy of annual general (ad valorem) taxes to pay the Bonds, subject to the limitations imposed by the Constitution and laws of the State.
3. As provided in the Bond Resolution and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the boundaries of the District (i.e., the State, the District, and any other political subdivision therein) and for the payment of interest on such indebtedness enjoy a priority over taxes levied by each such unit (including, without limitation, the State and the District) for all other purposes (subject to any exception implied by law in the exercise of the police power) where reduction is necessary in order to comply with NRS 361.453.

4. The Bonds are additionally secured by and payable from the Net Pledged Revenues. The Bond Resolution creates a valid lien on the Net Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity bonds or parity securities outstanding or hereafter issued, and subordinate to the lien on the Net Pledged Revenues of any superior bonds or superior securities outstanding or hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Net Pledged Revenues created by the Bond Resolution.

5. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and the continued accuracy of the representations contained in the District's certified proceedings and in certain other documents and certain other certifications furnished to us.

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

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

The obligations of the District pursuant to the Bonds and the Bond Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying (i) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay all interest when due on the Refunded Bonds and the principal becoming due on the prior redemption thereof, and (ii) the mathematical calculations of the yield of the Bonds and the yield of certain investments made with the proceeds of the Bonds and other moneys deposited in the Escrow Account.

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

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

Respectfully submitted,

March __, 2017

Las Vegas Valley Water District, Nevada
1001 South Valley View
Las Vegas, Nevada 89153

\$ _____
Las Vegas Valley Water District, Nevada
General Obligation (Limited Tax)
(Additionally Secured by SNWA Pledged Revenues)
Water Refunding Bonds
Series 2017B

Ladies and Gentlemen:

We have acted as bond counsel to the Las Vegas Valley Water District (the “District”), Nevada (the “State”), in connection with the issuance of its “General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B” in the aggregate principal amount of \$ _____ (the “Bonds”), pursuant to an authorizing resolution adopted and approved by the District’s Board of Directors on February 7, 2017 (the “Bond Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Bond Resolution. In such capacity, we have examined the District’s and the Authority’s certified proceedings and such other documents and such law of the State and of the United States of America as we have deemed necessary to render this opinion letter.

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

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

1. The Bonds constitute valid and binding, limited tax general obligations of the District.
2. All of the taxable property in the District is subject to the levy of annual general (ad valorem) taxes to pay the Bonds, subject to the limitations imposed by the Constitution and laws of the State.
3. As provided in the Bond Resolution and in accordance with the provisions of NRS 361.463, taxes levied for the payment of the bonded indebtedness (including the Bonds) of all overlapping units within the boundaries of the District (i.e., the State, the District, and any other political subdivision therein) and for the payment of interest on such indebtedness enjoy a priority over taxes levied by each such unit (including, without limitation, the State and the District) for all other purposes (subject to any exception implied by law in the exercise of the police power) where reduction is necessary in order to comply with NRS 361.453.
4. The Bonds are additionally secured by and payable from the SNWA Pledged Revenues. The Bond Resolution creates a valid lien on the SNWA Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity bonds or parity securities outstanding or hereafter issued, and subordinate to the lien on the SNWA Pledged Revenues of any

superior bonds or superior securities outstanding or hereafter issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the SNWA Pledged Revenues created by the Bond Resolution.

5. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code, except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. The opinions expressed in this paragraph assume continuous compliance with the covenants and the continued accuracy of the representations contained in the District's certified proceedings and in certain other documents and certain other certifications furnished to us.

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

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

The obligations of the District pursuant to the Bonds and the Bond Resolution are subject to the application of equitable principles, to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

In expressing the opinions above, we are relying, in part, on a report of independent certified public accountants verifying (i) the mathematical computations of the adequacy of the maturing principal amounts of and interest on the investments and moneys included in the Escrow Account to pay all interest when due on the Refunded Bonds and the principal becoming due on the prior redemption thereof, and (ii) the mathematical calculations of the yield of the Bonds and the yield of certain investments made with the proceeds of the Bonds and other moneys deposited in the Escrow Account.

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

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

Respectfully submitted,

APPENDIX G

OFFICIAL NOTICE OF BOND SALE FOR 2017A BONDS

\$129,330,000*

**LAS VEGAS VALLEY WATER, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
(ADDITIONALLY SECURED BY PLEDGED REVENUES)
WATER REFUNDING BONDS, SERIES 2017A**

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Directors of the Las Vegas Valley Water District, Nevada (the "Board"), on

Tuesday, February 14, 2017

at the hour of 7:45 a.m., Pacific time, or such other date and at such other time as is announced via PARITY and/or Thompson Municipal News ("The Bond Buyer Wire"), will receive bids electronically via PARITY, as described under "BID PROPOSALS" below, for the purchase of the bonds of the District particularly described below. Bids must be submitted via PARITY by the date and hour specified above. (See "BID PROPOSALS" below.)

ISSUE: The "Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Water Refunding Bonds, Series 2017A" in the aggregate principal amount of \$129,330,000* (the "Bonds") will be dated as of the date of delivery of the Bonds, will be issued in fully registered form, and will be initially evidenced by one Bond for each year in which the Bonds mature in denominations equal to the principal amount which matures in each such year. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, as securities depository for the Bonds ("DTC").

Copies of the resolution authorizing the issuance of the Bonds adopted February 7, 2017 (the "Bond Resolution") are available for public inspection at the office of the General Manager of the District at 1001 South Valley View Boulevard, Las Vegas, Nevada 89153 and at the office of the District's Financial Advisors: Hobbs, Ong & Associates, Inc. and Public Financial Management, Inc. (the "Financial Advisors"), at the addresses as listed under "INFORMATION," below, reference to the Bond Resolution is made for further detail.

MATURITIES: The Bonds will mature serially on February 1 in the years and in each of the amounts of principal set forth in the Preliminary Official Statement relating to the Bonds or as designated in the maturity schedule available from the Financial Advisors, prior to the bid opening for the Bonds (the "Maturity Schedule"), showing the aggregate principal amount of the Bonds and amount of principal of the Bonds to be paid in each year. The Maturity Schedule will be published in The Bond Buyer Wire and/or PARITY before the date of sale. The amounts of the Bonds maturing in each year may be changed from those listed in the Maturity Schedule as described in "ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID" below.

ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID: The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the District, after the determination of the best bid. Changes to be made will be

* Preliminary, subject to change.

communicated to the successful bidder by time of the written award of the Bonds and will not reduce or increase, by more than fifteen percent (15%) from the aggregate principal amount shown in the Maturity Schedule. The price bid (i.e., par less any discount bid or plus any premium bid) by a successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits. The price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds, as the case may be, to the public and the price to be paid to the District (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts submitted by the bidder electronically (See "TERMS OF SALE -- BID PROPOSALS" below).

To facilitate any adjustment in the principal amount and price bid, the successful bidder is required to indicate by email transmission to the District's Financial Advisors at kathy@hobbson.com and toepfert@pfm.com no later than one-half hour after the bid opening, the amount of any original issue discount or premium on the Bonds, the amount received from the sale of the Bonds to the public that will be retained by the successful bidder as its compensation, and in the case of a bid submitted with bond insurance, the cost of the insurance premium. A bidder who intends to insure the Bonds shall also state, in that email transmission, whether the amount of the insurance premium will change as a result of changes in the principal amount of the Bonds or the amount of principal maturing in any year, and the method used to calculate any such change in the insurance premium.

OPTIONAL PRIOR REDEMPTION: The Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after February 1, 2028, will be subject to redemption prior to their respective maturities at the option of the District on and after February 1, 2027, in whole or in part at any time, from such maturities as are selected by the District and if less than all the Bonds of a maturity are to be redeemed, the Bonds of such maturity are to be selected by lot (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each Bond or portion thereof so redeemed plus accrued interest thereon to the redemption date.

Redemption will be made in the manner and upon the conditions to be provided in the Bond Resolution.

MANDATORY SINKING FUND REDEMPTION: A bidder for the Bonds may request that the Bonds maturing on or after February 1, 2028, be included in a term bond or term bonds (the "Term Bonds"). Amounts included as a Term Bond must consist of consecutive maturities of Bonds, must bear the same rate of interest and must include the entire principal amount for any maturity included in the Term Bond (i.e., the principal amount maturing in any year may not be divided between a serial maturity and a mandatory sinking fund redemption). Any such Term Bond will be subject to mandatory sinking fund redemption in installments in the same amounts and on the same dates as the Bonds would have matured if they were not included in a Term Bond or Term Bonds. Once a Term Bond has been created for the Bonds, no more serial Bonds may be structured. Term Bonds redeemed pursuant to the mandatory sinking fund redemption provisions will be redeemed at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, by lot and otherwise in the manner and as provided in the Bond Resolution. Any election to designate the Bonds as being included in a Term Bond must be made at the time of submitting a bid (see "TERMS OF SALE-BID PROPOSALS" below).

INTEREST RATES AND LIMITATIONS: The following interest limitations are applicable with respect to the Bonds:

1. Interest on the Bonds will be payable on February 1 and August 1 of each year commencing on August 1, 2017.
2. The interest rate on any Bond and the True Interest Cost ("TIC") for the Bonds (see "BASIS OF AWARD") may not exceed by more than 3% the "Index of Twenty Bonds" most recently published in The Bond Buyer before the bids are received, whichever is less.
3. Each interest rate specified must be stated in a multiple of 1/8th or 1/20th of 1% per annum.
4. Only one interest rate can be stated for any maturity of the Bonds, i.e., all Bonds with the same maturity date must bear the same rate of interest.
5. Each Bond as initially issued will bear interest from its date to its stated maturity date at the interest rate stated in the bid for the Bonds.
6. A zero (0) rate of interest may not be named.

It is permissible to bid different interest rates for the Bonds, but only as stated in the bid and subject to the above limitations. If any Bond is not paid upon presentation at maturity, it will draw interest at the same rate until principal is paid in full.

PREMIUM, PAR OR DISCOUNT: A bidder may offer to purchase the Bonds at par or at a premium. A bidder may offer to purchase the Bonds at a discount not to exceed one percent (1%) of the par amount set forth in the Maturity Schedule.

PAYMENT: The principal of the Bonds shall be payable at the office of The Bank of New York Mellon Trust Company, N.A. or its successor, as Paying Agent, or such other office as designated by the Paying Agent, to the registered owner thereof as shown on the registration records of The Bank of New York Mellon Trust Company, N.A. or its successor, as Registrar, upon maturity thereof or call therefor, and upon presentation and surrender of such Bonds at such Paying Agent. Payment of interest on any Bond shall be made to the registered owner thereof (i.e., Cede & Co.) by check or draft mailed by the Paying Agent, on each interest payment date (or if such date is not a business day, on the next succeeding business date), to the registered owner thereof (i.e., Cede & Co.) at his or her address as it appears on the registration records of the Registrar as of the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding each interest payment date (or by such other arrangements as may be mutually agreed to by the Paying Agent and DTC). All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

BOOK ENTRY/TRANSFER AND EXCHANGE: The Bonds will be issued in registered form and one bond certificate for each maturity of the Bonds will be issued to DTC, registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede &

Co. Principal of and interest on the Bonds will be payable by the Paying Agent by wire transfer or in same day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the District nor the Paying Agent will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. After the initial deposit of the Bonds with DTC, they may not be removed from such custodial deposit, transferred or exchanged except as provided in the Bond Resolution.

BOND INSURANCE/RATINGS: Bond insurance for the Bonds may be obtained at bidder's option and expense. The District will pay for ratings on the Bonds from Moody's Investors Service and S&P Global Ratings.

AUTHORIZATION AND PURPOSE OF THE BONDS: The Bonds are to be issued to defray wholly or in part the cost of refunding certain of the District's General Obligation (Limited Tax) (Additionally Secured by Pledged Revenues) Improvement and Refunding Bonds, Series 2008A. The Bonds are authorized to be issued pursuant to Chapter 167, Statutes of Nevada, 1947, as amended, and NRS 350.500 through 350.720 cited in NRS 350.500 thereof by the short title "Local Government Securities Law" (the "Bond Act").

SECURITY AND PAYMENT OF THE BONDS: The Bonds will, in the opinion of Sherman & Howard L.L.C., the District's bond counsel (the "Bond Counsel"), be direct general obligations of the District, payable as to principal and interest (the "Bond Requirements") from annual general (ad valorem) taxes (herein "General Taxes") levied against all taxable property within the District (except to the extent certain pledged revenues and other moneys are available therefor) subject to the limitations imposed by the Constitution and laws of the State (see "CONSTITUTIONAL TAX LIMITATION", "STATUTORY TAX LIMITATION" and "LEGAL OPINION, BONDS AND TRANSCRIPTS" below). The Bonds will be a debt of the District, and the Board shall pledge the full faith and credit of the District for their payment.

ADDITIONAL SECURITY FOR THE BONDS: The Bond Requirements will be additionally secured by and payable from revenues received by the District from the sale or distribution of water, connection charges, or otherwise derived from the works or property of the District (including works and properties hereafter constructed or acquired) after payment therefrom of the reasonable and necessary costs of the operation and maintenance of the works and properties of the District and the general expenses of the District (the "Net Pledged Revenues"), including any BAB Credit (as defined in the Bond Resolution) received with respect to the 2010A Bonds (as defined in the Bond Resolution), and after the payment from such revenues of the annual debt service, sinking fund and reserve fund requirements of any Superior Lien Obligations (as defined in the Bond Resolution).

BOND LIEN ON NET PLEDGED REVENUES: The Bond Resolution creates a valid lien on the Net Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity bonds or parity securities outstanding or hereafter issued, and subordinate to the lien on the Net Pledged Revenues of any superior bonds or superior securities outstanding or hereafter issued. (see Appendix "C", "Summary of Certain Provisions of the Bond Resolution").

ADDITIONAL SECURITIES PAYABLE OR SECURED BY PLEDGED REVENUES: Bonds and other securities, in addition to the Bonds, may be issued and made payable from the Net Pledged Revenues and constituting a lien superior to or on parity with the Bonds, subject to certain

limitations set forth in “SECURITY FOR THE 2017A BONDS – Additional Securities.” Additionally, bonds and other securities, in addition to the Bonds, may be issued and made payable from the Net Pledged Revenues and constituting a lien subordinate to the Bonds.

ADDITIONAL SECURITIES: The District reserves the privilege of issuing additional general obligation bonds at any time or from time to time for any lawful purpose, as permitted by law.

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

STATE TAX MATTERS: In the opinion of Bond Counsel, under present laws of the State, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to chapter 375B of NRS.

CONSTITUTIONAL TAX LIMITATION: Section 2, article 10, State Constitution, provides:

“The total tax levy for all public purposes including levies for bonds, within the state, or any subdivision thereof, shall not exceed five cents on one dollar of assessed valuation.”

STATUTORY TAX LIMITATION: NRS 361.453 provides:

“... the total ad valorem tax levy for all public purposes must not exceed \$3.64 on each \$100 of assessed valuation, or a lesser or greater amount fixed by the state board of examiners if the state board of examiners is directed by law to fix a lesser or greater amount for that fiscal year.”

STATUTORY PRIORITY FOR BONDS: NRS 361.463 provides:

“1. In any year in which the total taxes levied by all overlapping units within the boundaries of the state exceed the limitation imposed by NRS 361.453, and it becomes necessary for that reason to reduce the levies made by any of those units, the reduction so made must be in taxes levied by those units (including the state) for purposes other than the payment of bonded indebtedness, including interest thereon. “

“2. The taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including the state) for all other purposes where reduction is necessary to comply with the limitation imposed by NRS 361.453.”

part:

STATUTORY PROVISION FOR TAX LEVIES: NRS 350.592 provides in relevant

“1. There shall be levied annually in due season a special tax on all property, both real and personal, subject to taxation within the boundaries of the municipality, fully sufficient together with the revenue which will result from application of the rate to the net proceeds of minerals, without regard to any statutory or charter tax limitation, other than the limitation set forth in NRS 361.453, to pay the interest on the general obligation municipal securities and to pay and retire the securities as provided in the Local Government Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county within the state for each year for which the tax is hereby required to be levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.”

“2. The proceeds thereof levied to pay interest on the securities must be kept by the treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose than the payment of the interest on the securities and the principal thereof, respectively, when due;”

TIMES OF LEVIES: NRS 350.594 provides:

“Such tax shall be levied immediately after the issuance of any general obligation securities issued in accordance with the provisions of the Local Government Securities Law, and annually thereafter, at the times and in the manner provided by law, until all of the securities, and the interest thereon, have been fully discharged. Such tax may be first levied after the municipality has contracted to sell any securities but before their issuance.”

USE OF GENERAL FUND: NRS 350.596 provides:

“Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected.”

USE OF OTHER FUNDS: NRS 350.598 provides:

“Nothing contained in the Local Government Securities Law [the Bond Act] shall be so construed as to prevent the municipality from applying any funds (other than taxes) that may be available for that purpose to the payment of the interest on or the principal of any general obligation municipal securities as the same respectively mature, and regardless of whether the payment of the general obligation municipal securities is additionally secured by a pledge of revenues, and upon such payments, the levy or levies of taxes provided in the Local Government Securities Law may thereupon to that extent be diminished.”

STATUTORY APPROPRIATIONS: NRS 350.602 provides:

“There is by the Local Government Securities Law, and there shall be by ordinance authorizing the issuance of any indebtedness contracted in accordance with the provisions of the Local Government Securities Law, specially appropriated the proceeds of such taxes to the payment of such principal and interest; and such appropriations shall not be repealed nor the taxes postponed or diminished (except as herein otherwise expressly provided) until the principal of and interest on the municipal securities evidencing such debt have been wholly paid.”

NO PLEDGE OF PROPERTY: The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the District and no property of the District is liable to be forfeited or taken in payment of the Bonds, but the payment of the Bonds is secured by the proceeds of General Taxes (defined below) and the Net Pledged Revenues.

IMMUNITY OF INDIVIDUALS: NRS 350.606 provides:

“No recourse shall be had for the payment of the principal of, any interest on, and any prior redemption premiums due in connection with any bonds or other municipal securities or for any claim based thereon or otherwise upon the ordinance authorizing their issuance or other instrument appertaining thereto, against any individual member of the governing body or any officer or other agent of the municipality, past, present or future, either directly or indirectly through the governing body or the municipality, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the securities and as a part of the consideration of their issuance specially waived and released.”

ACTS IRREPEALABLE: NRS 350.610 provides:

“The faith of the state is hereby pledged that the Local Government Securities Law, any law supplemental or otherwise appertaining thereto, and any other act concerning the bonds or other municipal securities, taxes or the pledged revenues or any combination of such securities, such taxes and such revenues shall not be repealed nor amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding municipal securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made, including without limitation the known minimum yield from the investment or reinvestment of moneys pledged therefor in federal securities.”

TERMS OF SALE

BID PROPOSALS: Each bidder must use electronic bidding as described under “ELECTRONIC BIDDING” below with respect to the Bonds. Any bid in any other form may be disregarded. Any bidder is required to submit an unconditional and written bid for all the Bonds, specifying:

- (1) The lowest rate or rates of interest and the premium or discount, if any, at which the bidder will purchase all of the Bonds.

It is also requested for informational purposes only, but it is not required, that each bid disclose:

(2) The true interest cost (i.e., actuarial yield) on the Bonds, stated as a nominal annual percentage rate (see “BASIS OF AWARD” below); and

(3) The municipal bond insurer, if any; the premium to be paid by the bidder for insuring the Bonds; and which maturities of the Bonds, if any, are being insured.

ELECTRONIC BIDDING: By utilizing PARITY to bid for the Bonds, a prospective electronic bidder represents and warrants to the District that such bidder’s bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Bids must be submitted electronically for the purchase of the Bonds by means of PARITY by 7:45 a.m., Pacific time, on Tuesday, February 14, 2017. Once the bids are communicated electronically via PARITY, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided.

Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the District nor the Financial Advisors shall have any duty or be obligated to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the District nor the Financial Advisors shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The District is using PARITY as a communication mechanism, and not as the District’s agent, to conduct the electronic bidding for the Bonds.

Each electronic bidder is required to transmit electronically via PARITY an unconditional bid specifying the lowest rate or rates of interest and the premium, if any, at which the bidder will purchase the Bonds. Each bid must be for all the Bonds herein offered for sale.

For informational purposes only, the electronic bid will show the effective interest rate for the Bonds represented on a TIC basis, as described under “BASIS OF AWARD” below, represented by the rate or rates of interest and the bid price specified in the bid. No bid will be received after the time for receiving such bids specified above.

GOOD FAITH DEPOSIT: Within 90 minutes following notification to the bidder or bidders of the bid award for the Bonds, a good faith deposit (“Deposit”) in the form of a wire transfer or a certified treasurer’s or cashier’s check, drawn on a solvent commercial bank or trust company in the United States of America, must be submitted and made payable to

Las Vegas Valley Water District

in the amount of

\$1,350,000

If a wire transfer is used by any bidder, then such bidder using a wire transfer is required to submit its Deposit with the District in the form of a wire transfer in the above amount for the Bonds as instructed by

the General Manager or its Financial Advisors not later than 90 minutes following such notification of the bid award. If a check is used, it must be delivered to the General Manager within 90 minutes following notification to the bidder or bidders of the bid award for the Bonds. The Bonds will not be officially awarded to a bidder who has not submitted a Deposit, as provided above, until such time as the bidder has provided a Federal wire reference number for the Deposit to the Financial Advisors.

No interest on the Deposit will accrue to any bidder. The District will deposit the Deposit of the successful bidder. The Deposit (without accruing interest) of the successful bidder of the Bonds will be applied to the purchase price of the Bonds. In the event a successful bidder fails to honor its accepted bid, the Deposit plus any interest accrued on the Deposit will be retained by the District. Any investment income earned on the Deposit will be paid to the successful bidder in the event the District is unable to deliver the Bonds as provided under "MANNER AND TIME OF DELIVERY", below. Deposits accompanying bids other than the bids which are accepted will be returned promptly upon the determination of the successful bidder.

CUSIP NUMBERS AND OTHER FEES: CUSIP identification numbers may be assigned to the Bonds if required by the successful bidder. The CUSIP Service Bureau charge for the assignment of the numbers and all other expenses in relation to the CUSIP numbers shall be the responsibility of and shall be paid by the successful bidder. If CUSIP identification numbers are assigned to the Bonds, such CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of any payment for the Bonds in accordance with the terms of the purchase contract. All expenses relating to printing the CUSIP numbers on the Bonds will be paid by the District, but the CUSIP Service Bureau charge for the assignment of the numbers will be the responsibility of and must be paid by the successful bidder for the Bonds. The successful bidder shall also be required to pay all fees required by DTC, the Bond Market Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the execution and delivery of the Bonds.

SALE RESERVATIONS: The Board through the General Manager reserves the privilege:

- A. Of waiving any irregularity or informality in any bid;
- B. Of rejecting any and all bids; and
- C. Of reoffering the Bonds for sale, as provided by law.

The time and date of any subsequent bond sale will be announced via PARITY and/or The Bond Buyer Wire before the time of the sale. In no event is the District responsible for the costs of any bidder in preparing and submitting a bid. In addition, the Board through the General Manager reserves the privilege of changing the date and/or time of sale of the Bonds. If bids are not taken on February 14, 2017 or if all bids are rejected on February 14, 2017, the District may reoffer the Bonds for sale at any time thereafter. The time and date of any subsequent Bond sale will be announced via PARITY and/or The Bond Buyer Wire before the time of the sale.

CONSENT TO JURISDICTION: A bid submitted by electronic bidding, if accepted by the General Manager on behalf of the District, forms a contract between the successful bidder and the District subject to the terms of this Official Notice of Bond Sale. By submitting a bid, the bidder consents to the exclusive jurisdiction of any court of the State of Nevada located in Clark County or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising as a result of the submittal of the bid, and the bidder irrevocably agrees that all claims in respect to any

such suit, action or proceeding may be heard and determined by such court. The bidder further agrees that service of process in any such action commenced in such State or Federal court shall be effective on such bidder by deposit of the same as registered mail addressed to the bidder at the address set forth in the bid.

BASIS OF AWARD: The Bonds, subject to such sale reservations, will be sold by the District to the responsible bidder making the best bid for all the Bonds. The best bid will be determined by computing the actuarial yield on the Bonds (i.e., using an actuarial or true interest cost method) for each bid received and an award will be made (if any is made) to the responsible bidder submitting the bid which results in the lowest actuarial yield on the Bonds. “True Interest Cost” on the Bonds as used herein means that yield which, if used to compute the present worth as of the dated date of the Bonds of all payments of principal and interest to be made on the Bonds from their date to their respective maturity dates (or mandatory sinking fund redemption dates), using the interest rates specified in the bid and the principal amounts specified in the Maturity Schedule, produces an amount equal to the principal amount of the Bonds, plus the premium or less the discount bid. No adjustment shall be made in such calculation for accrued interest on the Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360-day year and a semiannual compounding interval. If there are two or more equal bids for the Bonds and such equal bids are the best bids received, the District will determine which bid will be accepted by lot in such manner as the District determines.

PLACE AND TIME OF AWARD: Electronic bids will be opened on behalf of the District at the time and place stated above. The General Manager intends to take action, upon determining the best bids, awarding the Bonds, or rejecting all bids for the Bonds on the day hereinabove designated for opening bids. In any event, the General Manager will take action awarding the Bonds or rejecting all bids not later than 36 hours after the time herein stated for opening bids. An award may be made after the 36-hour period herein designated if the bidder shall not have given to the General Manager (see “INFORMATION” below) notice in writing of the withdrawal of its bid. Notice of withdrawal of a bid may not be given during the 36-hour period following the bid opening.

SUCCESSFUL BIDDER’S REOFFERING PRICES: Within one-half hour of the bid opening, the successful bidder (or manager of the successful purchasing account) must notify the District by email transmission to the District’s Financial Advisors, kathy@hobbson.com and toepfert@pfm.com, of the initial offering prices of the Bonds to the public (excluding bond houses, brokers, and other intermediaries) at which prices a substantial amount (at least 10%) of each maturity of the Bonds were sold. **The information about the initial offering prices shall be based on the successful bidders’ expectations as of the date of sale.** The facsimile notification must be confirmed in writing in a form acceptable to Bond Counsel prior to the delivery of the Bonds. It shall be in substantially the following form:

“A bona fide public offering was made for all of the Bonds on this sale date at the initial public offering prices (or yields) shown on the cover page of the Official Statement. As of such sale date (i) based upon our assessment of market conditions, investor demand, sale and offering prices for comparable bonds, and the recent behavior of interest rates, we reasonably expected that the first prices (or yields) at which at least 10% of each maturity of the Bonds would be sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) would be those prices (or yields) and that none of the Bonds would be sold to the public at prices higher than or at yields less than those prices (or yields), and (ii) such initial offering prices (or yields) represented a fair market value for the Bonds.”

MANNER AND TIME OF DELIVERY: The Deposit of the successful bidder for the Bonds will be credited to the purchaser of the Bonds at the time of delivery of the Bonds (without accruing interest). If the successful bidder for the Bonds fails, refuses or neglects to complete the purchase of the Bonds on the date on which the Bonds are made ready and are tendered by the District for delivery, the amount of its Deposit will be forfeited (as liquidated damages for noncompliance with the bid) to the District. In that event, the District may reoffer the Bonds for sale, as provided by law. The purchaser will not be required to accept delivery of any of the Bonds, if they are not made ready and are not tendered by the District for delivery within 60 days from the date stated for opening bids; and if the Bonds are not so tendered within such period of time, the Deposit (with the interest earned by the District thereon) for the Bonds will be refunded to the purchaser upon its request.

The Bonds will be made available for delivery by the District to the purchasers as soon as reasonably possible after the date of the sale; and the District contemplates delivering them on or about March 7, 2017. The purchaser of the Bonds will be given 72 hours' notice of the time fixed by the District for tendering the Bonds for delivery.

PAYMENT AT AND PLACE OF DELIVERY: The successful bidder for the Bonds will be required to make payment of the balance due for and to accept delivery of the Bonds pursuant to the FAST System of DTC. Payment of the balance of the purchase price due for the Bonds at the time of its delivery must be made in Federal Reserve Bank funds or other funds acceptable to the District for immediate and unconditional credit to the account of the District, as directed by the District Treasurer, at a bank or banks designated by the District Treasurer, so that Bond proceeds may be so deposited or invested, or both deposited and invested, as the District Treasurer may determine, simultaneously with the delivery of the Bonds. The balance of the purchase price, including, without limitation, any premium, must be paid in such funds and not by any cancellation or waiver of interest, and not by any other concession as a substitution for such funds.

INFORMATION: This Official Notice of Bond Sale, the Official Statement, the Bond Resolution, and financial and other information concerning the District and the Bonds may be obtained prior to the sale from:

The District's Financial Advisors:

**Hobbs, Ong and Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89109
(702) 733-7223**

and

**Public Financial Management, Inc.
1200 Fifth Avenue, Suite 1200
Seattle, WA 98101
(206) 264-8900, ext. 258**

The District's General Manager:

**John Entsminger
General Manager
Las Vegas Valley Water District
1001 S. Valley View Boulevard
Las Vegas, Nevada 89153
(702) 258-3100**

OFFICIAL STATEMENT: The District has prepared a Preliminary Official Statement (the "Official Statement") relating to the Bonds which is deemed by the District to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12(b) of the Securities Exchange Commission (the "Rule"), except for the omission of certain information as permitted by the Rule. The Official Statement is subject to revision, amendment and completion in a "Final Official Statement".

The District will prepare and deliver a Final Official Statement, dated as of the date of its delivery to the successful bidder as soon as practicable after the date of award to the successful bidder. The District will provide to the successful bidder of the Bonds not more than 20 copies of the Final Official Statement on or before seven business days following the date of the award to such successful bidder. The Final Official Statement will be delivered to the successful bidder at the offices of Hobbs, Ong & Associates at the address listed above. If a successful bidder fails to pick up the Final Official Statement at the offices of Hobbs, Ong & Associates, the Final Official Statement will be forwarded to the successful bidder by mail or another delivery service mutually agreed to between the successful bidder and Hobbs, Ong & Associates. The successful bidder may obtain additional copies of the Final Official Statement at the expense of the successful bidder.

The District authorizes the successful bidder to distribute the Final Official Statement in connection with the offering of the Bonds.

For a period beginning on the date of the Final Official Statement and ending twenty five days following the date the successful bidder shall no longer hold for sale any of the Bonds (such date shall be the Closing Date, as defined below, unless a successful bidder advises the District in writing of another date), if any event concerning the affairs, properties or financial condition of the District shall occur as a result of which it is necessary to supplement the Final Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, at the request of a successful bidder, the District shall forthwith notify the successful bidder of any such event of which it has knowledge and shall cooperate fully in the preparation and furnishing of any supplement to the Final Official Statement necessary, in the reasonable opinion of the District and the successful bidder, so that the statements therein as so supplemented will not be misleading in the light of the circumstances existing at such time.

OPINION OF BOND COUNSEL, BONDS AND TRANSCRIPT: The validity and enforceability of the Bonds will be approved by Bond Counsel, i.e.:

**Sherman & Howard L.L.C.
3960 Howard Hughes Parkway, Suite 500
Las Vegas, Nevada 89169
(702) 387-6073 (Las Vegas)
(775) 323-1980 (Reno)**

whose unqualified, final, approving opinion, together with the printed or typed Bonds, a certified transcript of the legal proceedings, including a certificate stating that there is no litigation pending affecting the validity of the Bonds as of the date of their delivery (the “Closing Date”), and other closing documents, will be furnished to the purchaser of the Bonds. See Appendix F in the Official Statement for the form of the opinion of Bond Counsel with respect to the Bonds.

CONTINUING DISCLOSURE UNDERTAKING: Pursuant to the Rule, the District will undertake in a continuing disclosure certificate with respect to the Bonds which will be authorized by the Bond Resolution, to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrence of certain material events. A copy of the form of the undertaking is set forth in Appendix E of the Official Statement.

DISTRICT REPRESENTED BY INDEPENDENT REGISTERED MUNICIPAL ADVISOR: The District has engaged, is represented by and will rely on the advice of the Financial Advisors, each an independent registered municipal advisor, to advise it on the issuance of the Bonds and other aspects of the financing for which the Bonds are being issued. The District intends that this statement constitutes the “required representation” for purposes of the independent registered municipal advisor exemption set forth in SEC Rule 15Ba1-1(d)(3) and prospective bidders and other market participants may rely on this written statement and receive and use it for purposes of that exemption. Each bidder should consult with its own advisors in determining whether the exemption is available to that bidder and other requirements applicable for the exemption to be available to that bidder.

DISCLOSURE CERTIFICATES: The final certificates included in the transcript of legal proceedings will include a certificate dated as of the Closing Date and signed by the President of the Board of Directors of the District, the General Manager, and the Attorney for the District (or a Deputy) in which each of them states that: (i) no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board, or body, is pending or, to the best of our knowledge, threatened against the District: (A) affecting the corporate existence of the District or the titles of its members or officers to their respective offices; (B) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection, disbursement or pledge of the general ad valorem taxes (“General Taxes”) as security for the Bonds in the Bond Resolution, to pay the principal of and interest on the Bonds, if necessary, or the application of any revenues or funds of the District to the payment of the principal of or interest on the Bonds, or affecting in any way the right or authority of the District to pay the Bonds or otherwise to carry out the terms and provisions of the Bond Resolution, or otherwise concerning the Bonds; (C) contesting or affecting the validity or enforceability of the Bonds or the Bond Resolution; or (D) contesting the powers of the District or any authority for the undertaking of the Project, the issuance of the Bonds, the adoption of the Bond Resolution, or the sale of the Bonds to the purchaser; (ii) the Final Official Statement as it pertains to the District and the Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (iii) no event affecting the District has occurred since the date of the Final Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, the District does not make any representation concerning the pricing information in the Final Official Statement.

By order of the Board of Directors of the Las Vegas Valley Water District, this
February 3, 2017.

LAS VEGAS VALLEY WATER DISTRICT

/s/ John Entsminger
General Manager

APPENDIX H

OFFICIAL NOTICE OF BOND SALE FOR 2017B BONDS

\$23,435,000*
LAS VEGAS VALLEY WATER, NEVADA
GENERAL OBLIGATION (LIMITED TAX)
(ADDITIONALLY SECURED BY SNWA PLEDGED REVENUES)
WATER REFUNDING BONDS, SERIES 2017B

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Directors of the Las Vegas Valley Water District, Nevada (the "Board"), on

Tuesday, February 14, 2017

at the hour of 8:15 a.m., Pacific time, or such other date and at such other time as is announced via PARITY and/or Thompson Municipal News ("The Bond Buyer Wire"), will receive bids electronically via PARITY, as described under "BID PROPOSALS" below, for the purchase of the bonds of the District particularly described below. Bids must be submitted via PARITY by the date and hour specified above. (See "BID PROPOSALS" below.)

ISSUE: The "Las Vegas Valley Water District, Nevada, General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Refunding Bonds, Series 2017B" in the aggregate principal amount of \$23,435,000* (the "Bonds") will be dated as of the date of delivery of the Bonds, will be issued in fully registered form, and will be initially evidenced by one Bond for each year in which the Bonds mature in denominations equal to the principal amount which matures in each such year. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, as securities depository for the Bonds ("DTC").

Copies of the resolution authorizing the issuance of the Bonds adopted February 7, 2017 (the "Bond Resolution") are available for public inspection at the office of the General Manager of the District at 1001 South Valley View Boulevard, Las Vegas, Nevada 89153 and at the office of the District's Financial Advisors: Hobbs, Ong & Associates, Inc. and Public Financial Management, Inc. (the "Financial Advisors"), at the addresses as listed under "INFORMATION," below, reference to the Bond Resolution is made for further detail.

MATURITIES: The Bonds will mature serially on June 1 in the years and in each of the amounts of principal set forth in the Preliminary Official Statement relating to the Bonds or as designated in the maturity schedule available from the Financial Advisors, prior to the bid opening for the Bonds (the "Maturity Schedule"), showing the aggregate principal amount of the Bonds and amount of principal of the Bonds to be paid in each year. The Maturity Schedule will be published in The Bond Buyer Wire and/or PARITY before the date of sale. The amounts of the Bonds maturing in each year may be changed from those listed in the Maturity Schedule as described in "ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID" below.

ADJUSTMENT OF MATURITIES AFTER DETERMINATION OF BEST BID: The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to

* Preliminary, subject to change.

adjustment by the District, after the determination of the best bid. Changes to be made will be communicated to the successful bidder by time of the written award of the Bonds and will not reduce or increase, by more than fifteen percent (15%) from the aggregate principal amount shown in the Maturity Schedule. The price bid (i.e., par less any discount bid or plus any premium bid) by a successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits. The price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds, as the case may be, to the public and the price to be paid to the District (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts submitted by the bidder electronically (See “TERMS OF SALE -- BID PROPOSALS” below).

To facilitate any adjustment in the principal amount and price bid, the successful bidder is required to indicate by email transmission to the District’s Financial Advisors at kathy@hobbson.com and toepfert@pfm.com no later than one-half hour after the bid opening, the amount of any original issue discount or premium on the Bonds, the amount received from the sale of the Bonds to the public that will be retained by the successful bidder as its compensation, and in the case of a bid submitted with bond insurance, the cost of the insurance premium. A bidder who intends to insure the Bonds shall also state, in that email transmission, whether the amount of the insurance premium will change as a result of changes in the principal amount of the Bonds or the amount of principal maturing in any year, and the method used to calculate any such change in the insurance premium.

OPTIONAL PRIOR REDEMPTION: The Bonds, or portions thereof (\$5,000 or any integral multiple), maturing on and after June 1, 2028, will be subject to redemption prior to their respective maturities at the option of the District on and after June 1, 2027, in whole or in part at any time, from such maturities as are selected by the District and if less than all the Bonds of a maturity are to be redeemed, the Bonds of such maturity are to be selected by lot (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to the principal amount of each Bond or portion thereof so redeemed plus accrued interest thereon to the redemption date.

Redemption will be made in the manner and upon the conditions to be provided in the Bond Resolution.

MANDATORY SINKING FUND REDEMPTION: A bidder for the Bonds may request that the Bonds maturing on or after June 1, 2028, be included in a term bond or term bonds (the “Term Bonds”). Amounts included as a Term Bond must consist of consecutive maturities of Bonds, must bear the same rate of interest and must include the entire principal amount for any maturity included in the Term Bond (i.e., the principal amount maturing in any year may not be divided between a serial maturity and a mandatory sinking fund redemption). Any such Term Bond will be subject to mandatory sinking fund redemption in installments in the same amounts and on the same dates as the Bonds would have matured if they were not included in a Term Bond or Term Bonds. Once a Term Bond has been created for the Bonds, no more serial Bonds may be structured. Term Bonds redeemed pursuant to the mandatory sinking fund redemption provisions will be redeemed at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, by lot and otherwise in the manner and as provided in the Bond Resolution. Any election to designate the Bonds as being included in a Term Bond must be made at the time of submitting a bid (see “TERMS OF SALE-BID PROPOSALS” below).

INTEREST RATES AND LIMITATIONS: The following interest limitations are applicable with respect to the Bonds:

1. Interest on the Bonds will be payable on June 1 and December 1 of each year commencing on June 1, 2017.
2. The interest rate on any Bond and the True Interest Cost (“TIC”) for the Bonds (see “BASIS OF AWARD”) may not exceed by more than 3% the “Index of Twenty Bonds” most recently published in The Bond Buyer before the bids are received, whichever is less.
3. Each interest rate specified must be stated in a multiple of 1/8th or 1/20th of 1% per annum.
4. Only one interest rate can be stated for any maturity of the Bonds, i.e., all Bonds with the same maturity date must bear the same rate of interest.
5. Each Bond as initially issued will bear interest from its date to its stated maturity date at the interest rate stated in the bid for the Bonds.
6. A zero (0) rate of interest may not be named.

It is permissible to bid different interest rates for the Bonds, but only as stated in the bid and subject to the above limitations. If any Bond is not paid upon presentation at maturity, it will draw interest at the same rate until principal is paid in full.

PREMIUM, PAR OR DISCOUNT: A bidder may offer to purchase the Bonds at par or at a premium. A bidder may offer to purchase the Bonds at a discount not to exceed one percent (1%) of the par amount set forth in the Maturity Schedule.

PAYMENT: The principal of the Bonds shall be payable at the office of The Bank of New York Mellon Trust Company, N.A. or its successor, as Paying Agent, or such other office as designated by the Paying Agent, to the registered owner thereof as shown on the registration records of The Bank of New York Mellon Trust Company, N.A. or its successor, as Registrar, upon maturity thereof or call therefor, and upon presentation and surrender of such Bonds at such Paying Agent. Payment of interest on any Bond shall be made to the registered owner thereof (i.e., Cede & Co.) by check or draft mailed by the Paying Agent, on each interest payment date (or if such date is not a business day, on the next succeeding business date), to the registered owner thereof (i.e., Cede & Co.) at his or her address as it appears on the registration records of the Registrar as of the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding each interest payment date (or by such other arrangements as may be mutually agreed to by the Paying Agent and DTC). All such payments shall be made in lawful money of the United States of America without deduction for any service charges of the Paying Agent or Registrar.

BOOK ENTRY/TRANSFER AND EXCHANGE: The Bonds will be issued in registered form and one bond certificate for each maturity of the Bonds will be issued to DTC, registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede &

Co. Principal of and interest on the Bonds will be payable by the Paying Agent by wire transfer or in same day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the District nor the Paying Agent will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. After the initial deposit of the Bonds with DTC, they may not be removed from such custodial deposit, transferred or exchanged except as provided in the Bond Resolution.

BOND INSURANCE/RATINGS: Bond insurance for the Bonds may be obtained at bidder's option and expense. The District will pay for ratings on the Bonds from Moody's Investors Service and S&P Global Ratings.

AUTHORIZATION AND PURPOSE OF THE BONDS: The Bonds are to be issued to defray wholly or in part the cost of refunding certain of the District's: (i) General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water Bonds, Series 2009B (Tax-Exempt); and (ii) General Obligation (Limited Tax) (Additionally Secured by SNWA Pledged Revenues) Water and Refunding Bonds, Series 2009D. The Bonds are authorized to be issued pursuant to Chapter 167, Statutes of Nevada, 1947, as amended, and NRS 350.500 through 350.720 cited in NRS 350.500 thereof by the short title "Local Government Securities Law" (the "Bond Act").

SECURITY AND PAYMENT OF THE BONDS: The Bonds will, in the opinion of Sherman & Howard L.L.C., the District's bond counsel (the "Bond Counsel"), be direct general obligations of the District, payable as to principal and interest (the "Bond Requirements") from annual general (ad valorem) taxes (herein "General Taxes") levied against all taxable property within the District (except to the extent certain pledged revenues and other moneys are available therefor) subject to the limitations imposed by the Constitution and laws of the State (see "CONSTITUTIONAL TAX LIMITATION", "STATUTORY TAX LIMITATION" and "LEGAL OPINION, BONDS AND TRANSCRIPTS" below). The Bonds will be a debt of the District, and the Board shall pledge the full faith and credit of the District for their payment.

ADDITIONAL SECURITY FOR THE BONDS: The Bond Requirements will be additionally secured by and payable from revenues received by the District from the Southern Nevada Water Authority (the "SNWA") pursuant to the SNWA/LVVWD Master Bond Repayment Agreement dated as of July 1, 1996, as amended (the "SNWA Pledged Revenues").

BOND LIEN ON NET PLEDGED REVENUES: The Bond Resolution creates a valid lien on the SNWA Pledged Revenues pledged therein for the security of the Bonds on a parity with the lien thereon of any parity bonds or parity securities outstanding or hereafter issued, and subordinate to the lien on the SNWA Pledged Revenues of any superior bonds or superior securities outstanding or hereafter issued. (see Appendix "C", "Summary of Certain Provisions of the Bond Resolution").

ADDITIONAL SECURITIES PAYABLE OR SECURED BY PLEDGED REVENUES: Bonds and other securities, in addition to the Bonds, may be issued and made payable from the SNWA Pledged Revenues and constituting a lien superior to or on parity with the Bonds, subject to certain limitations set forth in "SECURITY FOR THE 2017B BONDS – Additional Securities." Additionally, bonds and other securities, in addition to the Bonds, may be issued and made payable from the SNWA Pledged Revenues and constituting a lien subordinate to the Bonds.

ADDITIONAL SECURITIES: The District reserves the privilege of issuing additional general obligation bonds at any time or from time to time for any lawful purpose, as permitted by law.

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

STATE TAX MATTERS: In the opinion of Bond Counsel, under present laws of the State, the Bonds, their transfer, and the income therefrom are free and exempt from taxation by the State or any subdivision thereof except for the tax on estates imposed pursuant to chapter 375A of NRS and the tax on generation-skipping transfers imposed pursuant to chapter 375B of NRS.

CONSTITUTIONAL TAX LIMITATION: Section 2, article 10, State Constitution, provides:

"The total tax levy for all public purposes including levies for bonds, within the state, or any subdivision thereof, shall not exceed five cents on one dollar of assessed valuation."

STATUTORY TAX LIMITATION: NRS 361.453 provides:

"... the total ad valorem tax levy for all public purposes must not exceed \$3.64 on each \$100 of assessed valuation, or a lesser or greater amount fixed by the state board of examiners if the state board of examiners is directed by law to fix a lesser or greater amount for that fiscal year."

STATUTORY PRIORITY FOR BONDS: NRS 361.463 provides:

"1. In any year in which the total taxes levied by all overlapping units within the boundaries of the state exceed the limitation imposed by NRS 361.453, and it becomes necessary for that reason to reduce the levies made by any of those units, the reduction so made must be in taxes levied by those units (including the state) for purposes other than the payment of bonded indebtedness, including interest thereon. "

"2. The taxes levied for the payment of bonded indebtedness and the interest thereon enjoy a priority over taxes levied by each such unit (including the state) for all other purposes where reduction is necessary to comply with the limitation imposed by NRS 361.453."

STATUTORY PROVISION FOR TAX LEVIES: NRS 350.592 provides in relevant part:

"1. There shall be levied annually in due season a special tax on all property, both real and personal, subject to taxation within the boundaries of the municipality, fully sufficient together with the revenue which will result from application of the rate to the net proceeds of minerals, without regard to any statutory or charter tax limitation, other than the limitation set forth in NRS 361.453, to pay the interest on the general obligation

municipal securities and to pay and retire the securities as provided in the Local Government Securities Law and in any act supplemental hereto. The amount of money to be raised by the tax must be included in the annual estimate or budget for each county within the state for each year for which the tax is hereby required to be levied. The tax must be levied and collected in the same manner and at the same time as other taxes are levied and collected.”

“2. The proceeds thereof levied to pay interest on the securities must be kept by the treasurer in a special fund, separate and apart from all other funds, and the proceeds of the tax levied to pay the principal of the securities must be kept by the treasurer in a special fund, separate and apart from all other funds. The two special funds must be used for no other purpose than the payment of the interest on the securities and the principal thereof, respectively, when due;”

TIMES OF LEVIES: NRS 350.594 provides:

“Such tax shall be levied immediately after the issuance of any general obligation securities issued in accordance with the provisions of the Local Government Securities Law, and annually thereafter, at the times and in the manner provided by law, until all of the securities, and the interest thereon, have been fully discharged. Such tax may be first levied after the municipality has contracted to sell any securities but before their issuance.”

USE OF GENERAL FUND: NRS 350.596 provides:

“Any sums coming due on any general obligation municipal securities at any time when there are not on hand from such tax levy or levies sufficient funds to pay the same shall be promptly paid when due from the general fund of the municipality, reimbursement to be made to such general fund in the sums thus advanced when the taxes herein provided for have been collected.”

USE OF OTHER FUNDS: NRS 350.598 provides:

“Nothing contained in the Local Government Securities Law [the Bond Act] shall be so construed as to prevent the municipality from applying any funds (other than taxes) that may be available for that purpose to the payment of the interest on or the principal of any general obligation municipal securities as the same respectively mature, and regardless of whether the payment of the general obligation municipal securities is additionally secured by a pledge of revenues, and upon such payments, the levy or levies of taxes provided in the Local Government Securities Law may thereupon to that extent be diminished.”

STATUTORY APPROPRIATIONS: NRS 350.602 provides:

“There is by the Local Government Securities Law, and there shall be by ordinance authorizing the issuance of any indebtedness contracted in accordance with the provisions of the Local Government Securities Law, specially appropriated the proceeds of such taxes to the payment of such principal and interest; and such appropriations shall not be repealed nor the taxes postponed or diminished (except as herein otherwise expressly provided) until the principal of and interest on the municipal securities evidencing such debt have been wholly paid.”

NO PLEDGE OF PROPERTY: The payment of the Bonds is not secured by an encumbrance, mortgage or other pledge of property of the District or the SNWA and no property of the District is liable to be forfeited or taken in payment of the Bonds, but the payment of the Bonds is secured by the proceeds of General Taxes (defined below) and the SNWA Pledged Revenues.

IMMUNITY OF INDIVIDUALS: NRS 350.606 provides:

“No recourse shall be had for the payment of the principal of, any interest on, and any prior redemption premiums due in connection with any bonds or other municipal securities or for any claim based thereon or otherwise upon the ordinance authorizing their issuance or other instrument appertaining thereto, against any individual member of the governing body or any officer or other agent of the municipality, past, present or future, either directly or indirectly through the governing body or the municipality, or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any penalty or otherwise, all such liability, if any, being by the acceptance of the securities and as a part of the consideration of their issuance specially waived and released.”

ACTS IRREPEALABLE: NRS 350.610 provides:

“The faith of the state is hereby pledged that the Local Government Securities Law, any law supplemental or otherwise appertaining thereto, and any other act concerning the bonds or other municipal securities, taxes or the pledged revenues or any combination of such securities, such taxes and such revenues shall not be repealed nor amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding municipal securities, until all such securities have been discharged in full or provision for their payment and redemption has been fully made, including without limitation the known minimum yield from the investment or reinvestment of moneys pledged therefor in federal securities.”

TERMS OF SALE

BID PROPOSALS: Each bidder must use electronic bidding as described under “ELECTRONIC BIDDING” below with respect to the Bonds. Any bid in any other form may be disregarded. Any bidder is required to submit an unconditional and written bid for all the Bonds, specifying:

(1) The lowest rate or rates of interest and the premium or discount, if any, at which the bidder will purchase all of the Bonds.

It is also requested for informational purposes only, but it is not required, that each bid disclose:

(2) The true interest cost (i.e., actuarial yield) on the Bonds, stated as a nominal annual percentage rate (see “BASIS OF AWARD” below); and

(3) The municipal bond insurer, if any; the premium to be paid by the bidder for insuring the Bonds; and which maturities of the Bonds, if any, are being insured.

ELECTRONIC BIDDING: By utilizing PARITY to bid for the Bonds, a prospective electronic bidder represents and warrants to the District that such bidder’s bid for the purchase of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such

prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Bids must be submitted electronically for the purchase of the Bonds by means of PARITY by 8:15 a.m., Pacific time, on Tuesday, February 14, 2017. Once the bids are communicated electronically via PARITY, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided.

Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the District nor the Financial Advisors shall have any duty or be obligated to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the District nor the Financial Advisors shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PARITY. The District is using PARITY as a communication mechanism, and not as the District's agent, to conduct the electronic bidding for the Bonds.

Each electronic bidder is required to transmit electronically via PARITY an unconditional bid specifying the lowest rate or rates of interest and the premium, if any, at which the bidder will purchase the Bonds. Each bid must be for all the Bonds herein offered for sale.

For informational purposes only, the electronic bid will show the effective interest rate for the Bonds represented on a TIC basis, as described under "BASIS OF AWARD" below, represented by the rate or rates of interest and the bid price specified in the bid. No bid will be received after the time for receiving such bids specified above.

GOOD FAITH DEPOSIT: Within 90 minutes following notification to the bidder or bidders of the bid award for the Bonds, a good faith deposit ("Deposit") in the form of a wire transfer or a certified treasurer's or cashier's check, drawn on a solvent commercial bank or trust company in the United States of America, must be submitted and made payable to

Las Vegas Valley Water District

in the amount of

\$250,000

If a wire transfer is used by any bidder, then such bidder using a wire transfer is required to submit its Deposit with the District in the form of a wire transfer in the above amount for the Bonds as instructed by the General Manager or its Financial Advisors not later than 90 minutes following such notification of the bid award. If a check is used, it must be delivered to the General Manager within 90 minutes following notification to the bidder or bidders of the bid award for the Bonds. The Bonds will not be officially awarded to a bidder who has not submitted a Deposit, as provided above, until such time as the bidder has provided a Federal wire reference number for the Deposit to the Financial Advisors.

No interest on the Deposit will accrue to any bidder. The District will deposit the Deposit of the successful bidder. The Deposit (without accruing interest) of the successful bidder of the Bonds will be applied to the purchase price of the Bonds. In the event a successful bidder fails to honor its accepted bid, the Deposit plus any interest accrued on the Deposit will be retained by the District. Any investment income earned on the Deposit will be paid to the successful bidder in the event the District is

unable to deliver the Bonds as provided under “MANNER AND TIME OF DELIVERY”, below. Deposits accompanying bids other than the bids which are accepted will be returned promptly upon the determination of the successful bidder.

CUSIP NUMBERS AND OTHER FEES: CUSIP identification numbers may be assigned to the Bonds if required by the successful bidder. The CUSIP Service Bureau charge for the assignment of the numbers and all other expenses in relation to the CUSIP numbers shall be the responsibility of and shall be paid by the successful bidder. If CUSIP identification numbers are assigned to the Bonds, such CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser to accept delivery of any payment for the Bonds in accordance with the terms of the purchase contract. All expenses relating to printing the CUSIP numbers on the Bonds will be paid by the District, but the CUSIP Service Bureau charge for the assignment of the numbers will be the responsibility of and must be paid by the successful bidder for the Bonds. The successful bidder shall also be required to pay all fees required by DTC, the Bond Market Association, the Municipal Securities Rulemaking Board, and any other similar entity imposing a fee in connection with the execution and delivery of the Bonds.

SALE RESERVATIONS: The Board through the General Manager reserves the privilege:

- A. Of waiving any irregularity or informality in any bid;
- B. Of rejecting any and all bids; and
- C. Of reoffering the Bonds for sale, as provided by law.

The time and date of any subsequent bond sale will be announced via PARITY and/or The Bond Buyer Wire before the time of the sale. In no event is the District responsible for the costs of any bidder in preparing and submitting a bid. In addition, the Board through the General Manager reserves the privilege of changing the date and/or time of sale of the Bonds. If bids are not taken on February 14, 2017 or if all bids are rejected on February 14, 2017, the District may reoffer the Bonds for sale at any time thereafter. The time and date of any subsequent Bond sale will be announced via PARITY and/or The Bond Buyer Wire before the time of the sale.

CONSENT TO JURISDICTION: A bid submitted by electronic bidding, if accepted by the General Manager on behalf of the District, forms a contract between the successful bidder and the District subject to the terms of this Official Notice of Bond Sale. By submitting a bid, the bidder consents to the exclusive jurisdiction of any court of the State of Nevada located in Clark County or the United States District Court for the State of Nevada for the purpose of any suit, action or other proceeding arising as a result of the submittal of the bid, and the bidder irrevocably agrees that all claims in respect to any such suit, action or proceeding may be heard and determined by such court. The bidder further agrees that service of process in any such action commenced in such State or Federal court shall be effective on such bidder by deposit of the same as registered mail addressed to the bidder at the address set forth in the bid.

BASIS OF AWARD: The Bonds, subject to such sale reservations, will be sold by the District to the responsible bidder making the best bid for all the Bonds. The best bid will be determined by computing the actuarial yield on the Bonds (i.e., using an actuarial or true interest cost method) for each bid received and an award will be made (if any is made) to the responsible bidder submitting the bid which results in the lowest actuarial yield on the Bonds. “True Interest Cost” on the Bonds as used herein

means that yield which, if used to compute the present worth as of the dated date of the Bonds of all payments of principal and interest to be made on the Bonds from their date to their respective maturity dates (or mandatory sinking fund redemption dates), using the interest rates specified in the bid and the principal amounts specified in the Maturity Schedule, produces an amount equal to the principal amount of the Bonds, plus the premium or less the discount bid. No adjustment shall be made in such calculation for accrued interest on the Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360-day year and a semiannual compounding interval. If there are two or more equal bids for the Bonds and such equal bids are the best bids received, the District will determine which bid will be accepted by lot in such manner as the District determines.

PLACE AND TIME OF AWARD: Electronic bids will be opened on behalf of the District at the time and place stated above. The General Manager intends to take action, upon determining the best bids, awarding the Bonds, or rejecting all bids for the Bonds on the day hereinabove designated for opening bids. In any event, the General Manager will take action awarding the Bonds or rejecting all bids not later than 36 hours after the time herein stated for opening bids. An award may be made after the 36-hour period herein designated if the bidder shall not have given to the General Manager (see "INFORMATION" below) notice in writing of the withdrawal of its bid. Notice of withdrawal of a bid may not be given during the 36-hour period following the bid opening.

SUCCESSFUL BIDDER'S REOFFERING PRICES: Within one-half hour of the bid opening, the successful bidder (or manager of the successful purchasing account) must notify the District by email transmission to the District's Financial Advisors, kathy@hobbson.com and toepfert@pfm.com, of the initial offering prices of the Bonds to the public (excluding bond houses, brokers, and other intermediaries) at which prices a substantial amount (at least 10%) of each maturity of the Bonds were sold. **The information about the initial offering prices shall be based on the successful bidders' expectations as of the date of sale.** The facsimile notification must be confirmed in writing in a form acceptable to Bond Counsel prior to the delivery of the Bonds. It shall be in substantially the following form:

"A bona fide public offering was made for all of the Bonds on this sale date at the initial public offering prices (or yields) shown on the cover page of the Official Statement. As of such sale date (i) based upon our assessment of market conditions, investor demand, sale and offering prices for comparable bonds, and the recent behavior of interest rates, we reasonably expected that the first prices (or yields) at which at least 10% of each maturity of the Bonds would be sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) would be those prices (or yields) and that none of the Bonds would be sold to the public at prices higher than or at yields less than those prices (or yields), and (ii) such initial offering prices (or yields) represented a fair market value for the Bonds."

MANNER AND TIME OF DELIVERY: The Deposit of the successful bidder for the Bonds will be credited to the purchaser of the Bonds at the time of delivery of the Bonds (without accruing interest). If the successful bidder for the Bonds fails, refuses or neglects to complete the purchase of the Bonds on the date on which the Bonds are made ready and are tendered by the District for delivery, the amount of its Deposit will be forfeited (as liquidated damages for noncompliance with the bid) to the District. In that event, the District may reoffer the Bonds for sale, as provided by law. The purchaser will not be required to accept delivery of any of the Bonds, if they are not made ready and are not tendered by the District for delivery within 60 days from the date stated for opening bids; and if the Bonds are not so tendered within such period of time, the Deposit (with the interest earned by the District thereon) for the Bonds will be refunded to the purchaser upon its request.

The Bonds will be made available for delivery by the District to the purchasers as soon as reasonably possible after the date of the sale; and the District contemplates delivering them on or about March 7, 2017. The purchaser of the Bonds will be given 72 hours' notice of the time fixed by the District for tendering the Bonds for delivery.

PAYMENT AT AND PLACE OF DELIVERY: The successful bidder for the Bonds will be required to make payment of the balance due for and to accept delivery of the Bonds pursuant to the FAST System of DTC. Payment of the balance of the purchase price due for the Bonds at the time of its delivery must be made in Federal Reserve Bank funds or other funds acceptable to the District for immediate and unconditional credit to the account of the District, as directed by the District Treasurer, at a bank or banks designated by the District Treasurer, so that Bond proceeds may be so deposited or invested, or both deposited and invested, as the District Treasurer may determine, simultaneously with the delivery of the Bonds. The balance of the purchase price, including, without limitation, any premium, must be paid in such funds and not by any cancellation or waiver of interest, and not by any other concession as a substitution for such funds.

INFORMATION: This Official Notice of Bond Sale, the Official Statement, the Bond Resolution, and financial and other information concerning the District and the Bonds may be obtained prior to the sale from:

The District's Financial Advisors:

Hobbs, Ong and Associates, Inc.
3900 Paradise Road, Suite 152
Las Vegas, Nevada 89109
(702) 733-7223
and
Public Financial Management, Inc.
1200 Fifth Avenue, Suite 1200
Seattle, WA 98101
(206) 264-8900, ext. 258

The District's General Manager:

John Entsminger
General Manager
Las Vegas Valley Water District
1001 S. Valley View Boulevard
Las Vegas, Nevada 89153
(702) 258-3100

OFFICIAL STATEMENT: The District has prepared a Preliminary Official Statement (the "Official Statement") relating to the Bonds which is deemed by the District to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12(b) of the Securities Exchange Commission (the "Rule"), except for the omission of certain information as permitted by the Rule. The Official Statement is subject to revision, amendment and completion in a "Final Official Statement".

The District will prepare and deliver a Final Official Statement, dated as of the date of its delivery to the successful bidder as soon as practicable after the date of award to the successful bidder.

The District will provide to the successful bidder of the Bonds not more than 20 copies of the Final Official Statement on or before seven business days following the date of the award to such successful bidder. The Final Official Statement will be delivered to the successful bidder at the offices of Hobbs, Ong & Associates at the address listed above. If a successful bidder fails to pick up the Final Official Statement at the offices of Hobbs, Ong & Associates, the Final Official Statement will be forwarded to the successful bidder by mail or another delivery service mutually agreed to between the successful bidder and Hobbs, Ong & Associates. The successful bidder may obtain additional copies of the Final Official Statement at the expense of the successful bidder.

The District authorizes the successful bidder to distribute the Final Official Statement in connection with the offering of the Bonds.

For a period beginning on the date of the Final Official Statement and ending twenty five days following the date the successful bidder shall no longer hold for sale any of the Bonds (such date shall be the Closing Date, as defined below, unless a successful bidder advises the District in writing of another date), if any event concerning the affairs, properties or financial condition of the District shall occur as a result of which it is necessary to supplement the Final Official Statement in order to make the statements therein, in light of the circumstances existing at such time, not misleading, at the request of a successful bidder, the District shall forthwith notify the successful bidder of any such event of which it has knowledge and shall cooperate fully in the preparation and furnishing of any supplement to the Final Official Statement necessary, in the reasonable opinion of the District and the successful bidder, so that the statements therein as so supplemented will not be misleading in the light of the circumstances existing at such time.

OPINION OF BOND COUNSEL, BONDS AND TRANSCRIPT: The validity and enforceability of the Bonds will be approved by Bond Counsel, i.e.:

Sherman & Howard L.L.C.
3960 Howard Hughes Parkway, Suite 500
Las Vegas, Nevada 89169
(702) 387-6073 (Las Vegas)
(775) 323-1980 (Reno)

whose unqualified, final, approving opinion, together with the printed or typed Bonds, a certified transcript of the legal proceedings, including a certificate stating that there is no litigation pending affecting the validity of the Bonds as of the date of their delivery (the "Closing Date"), and other closing documents, will be furnished to the purchaser of the Bonds. See Appendix F in the Official Statement for the form of the opinion of Bond Counsel with respect to the Bonds.

CONTINUING DISCLOSURE UNDERTAKINGS: Pursuant to the Rule, the District will undertake in a continuing disclosure certificate with respect to the Bonds which will be authorized by the Bond Resolution, to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrence of certain material events. The SNWA will also undertake in a continuing disclosure certificate with respect to the Bonds to provide certain ongoing disclosure. A copy of the form of the undertakings is set forth in Appendix E of the Official Statement.

DISTRICT REPRESENTED BY INDEPENDENT REGISTERED MUNICIPAL ADVISOR: The District has engaged, is represented by and will rely on the advice of the Financial Advisors, each an independent registered municipal advisor, to advise it on the issuance of the Bonds and other aspects of the financing for which the Bonds are being issued. The District intends that this

statement constitutes the “required representation” for purposes of the independent registered municipal advisor exemption set forth in SEC Rule 15Ba1-1(d)(3) and prospective bidders and other market participants may rely on this written statement and receive and use it for purposes of that exemption. Each bidder should consult with its own advisors in determining whether the exemption is available to that bidder and other requirements applicable for the exemption to be available to that bidder.

DISCLOSURE CERTIFICATES: The final certificates included in the transcript of legal proceedings will include:

- (i) a certificate dated as of the Closing Date and signed by the President of the Board of Directors of the District, the General Manager, and the Attorney for the District (or a Deputy) in which each of them states that: (a) no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board, or body, is pending or, to the best of our knowledge, threatened against the District: (1) affecting the corporate existence of the District or the titles of its members or officers to their respective offices; (2) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection, disbursement or pledge of the general ad valorem taxes (“General Taxes”) as security for the Bonds in the Bond Resolution, to pay the principal of and interest on the Bonds, if necessary, or the application of any revenues or funds of the District to the payment of the principal of or interest on the Bonds, or affecting in any way the right or authority of the District to pay the Bonds or otherwise to carry out the terms and provisions of the Bond Resolution, or otherwise concerning the Bonds; (3) contesting or affecting the validity or enforceability of the Bonds or the Bond Resolution; or (4) contesting the powers of the District or any authority for the undertaking of the Project, the issuance of the Bonds, the adoption of the Bond Resolution, or the sale of the Bonds to the purchaser; (b) the Final Official Statement as it pertains to the District and the Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (c) no event affecting the District has occurred since the date of the Final Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, the District does not make any representation concerning the pricing information in the Final Official Statement.
- (ii) a certificate dated as of the Closing Date and signed by the Chair of the Board of Directors of the SNWA, the General Manager, and the Attorney for the SNWA (or a Deputy) in which each of them states that (a) no action, suit, proceeding, inquiry or investigation, at law or in equity, before any court, public board, or body, is pending or, to the best of our knowledge, threatened against the SNWA affecting the corporate existence of the SNWA or the titles of its members or officers to their respective offices; (b) the Final Official Statement as it pertains to the SNWA, the SNWA Pledged Revenues, and the Bonds does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (c) no event affecting the SNWA has occurred since the date of the Final Official Statement which should be disclosed therein for the purpose for which it is to be used or which it is necessary to

disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the SNWA does not make any representation concerning the pricing information contained in the Final Official Statement.

By order of the Board of Directors of the Las Vegas Valley Water District, this
February 3, 2017.

LAS VEGAS VALLEY WATER DISTRICT

/s/ John Entsminger
General Manager

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