FINANCIAL SECTION

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KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of the
Truckee Meadows Water Authority

We have audited the accompanying financial statements of Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as listed in the table of contents as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of TMWA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Truckee Meadows Water Authority at June 30, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011, on our consideration of TMWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 3A through 3K and the Schedule of Funding Progress on page 34, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying introductory section, the schedules of revenues, expenses and changes in net assets - budget and actual, the schedule of expenditures of federal awards (as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of revenues, expenses and changes in net assets - budget and actual and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kafoury, Armstrong & Co.

Reno, Nevada
November 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2011, June 30, 2010, and June 30, 2009. This section should be read in conjunction with the transmittal letter at the front of this report and TMWA's financial statements following this section. The financial presentation and 2010 reflects the adoption of GASB 51, *Accounting and Financial Reporting for Intangible Assets*. As such, fiscal year 2009 financial results have been restated because of the adoption of GASB 51 which reduced operating expenses by $452,000 and increased capital spending by a comparable amount.

FINANCIAL HIGHLIGHTS

TMWA's Net Assets
(in millions)

	June 30, 2011	June 30, 2010	June 30, 2009
Unrestricted Current Assets	$ 61.0	$ 63.3	$ 75.0
Restricted Current Assets	21.0	21.5	22.0
Long-Term Restricted and Other Assets	56.1	56.9	56.7
Capital Assets, net	687.5	689.7	683.0
Total Assets	825.6	831.4	836.7
Long-Term Debt Outstanding	428.9	445.8	452.3
Other Liabilities	108.5	97.6	99.3
Total Liabilities	537.4	543.4	551.6
Invested in Capital Assets, Net of Related Debt	223.4	220.5	205.0
Restricted	22.9	23.5	23.9
Unrestricted	41.9	44.0	56.2
Total Net Assets	$288.2	$288.0	$285.1

In the fiscal year ended June 30, 2011, TMWA's total net assets increased by approximately $0.2 million, as a result of capital asset additions essentially offset by depreciation expense. In the fiscal year ended June 30, 2010 total net assets increased by approximately $2.9 million, the result of developer infrastructure contributions and an increase in capital assets primarily funded from unrestricted cash reserves.

As reported on the Statements of Net Assets, at June 30, 2011, total Unrestricted Current Assets decreased by approximately $2.3 million from June 30, 2010. The overall decrease was due to a decrease in unrestricted cash of $0.6 million in addition to decreases in accounts receivable and due from others of $0.7 million, a decrease in due from other governments of $0.9 million, and a decrease in prepaid assets of $0.2 million. Offsetting these decreases was an increase in interest receivable of $0.1 million. The increase in interest receivable was due to greater accrued investment income at year and. Decreases in accounts receivable and due from others was due to less water sales and the result of cooler weather patterns. The decrease in prepaid assets was due primarily to the expiration of TMWA's environmental liability policy with no subsequent renewal of this policy.

As reported on the Statements of Net Assets, at June 30, 2010, total Unrestricted Current Assets decreased by approximately $11.7 million from June 30, 2009. The overall decrease was due to decreases in unrestricted cash of $12.8 million, and interest receivable of $0.1 million. These decreases were offset by increases in accounts receivable of $0.4 million and due from other governments of $0.8 million. The decrease in unrestricted cash was due to continuing investment in utility infrastructure although at a slower pace than in the previous fiscal year. The decrease in interest receivable was due to reductions in investment rates of return as well as a significant decrease in outstanding investments. The increase in accounts receivable was due to greater water sales in June when compared with the comparable period in the previous fiscal year. The increase in due from other governments was primarily the grant reimbursement for TROA implementation.

As reported on the Statements of Net Assets, at June 30, 2011, total Restricted Current Assets decreased by approximately $0.5 million from June 30, 2010. This overall decrease was due to a decrease of $0.6 million in water meter retrofit restricted cash offset by an increase in current bond debt service for $0.1 million.

As reported on the Statements of Net Assets, at June 30, 2010, total Restricted Current Assets decreased by approximately $0.5 million from June 30, 2009. This overall decrease was due to a decrease of $0.5 million in water meter retrofit restricted cash.

At June 30, 2011, Non-Current Restricted and Other Assets decreased by $0.8 million from fiscal year 2010. A decrease of $0.5 million in the operations and maintenance reserve fund, combined with a decrease of $0.3 million in deferred charges was experienced. The decrease in the operations and maintenance reserve is because of a reduction in budgetary expenses of which one sixth is reserved as stipulated in TMWA's long term bond indentures. The decrease in deferred charges is due to the continued amortization of deferred bond and loan issuance expenses.

At June 30, 2010, Non-Current Restricted and Other Assets increased by $0.2 million from fiscal year 2009. An increase of $1.0 million in future bond debt service was offset by decreases of $0.4 million in the operations and maintenance reserve fund, $0.2 million in deferred charges and $0.2 million in other assets. The decrease in the operations and maintenance reserve is because of a reduction in budgetary expenses of which one sixth is reserved as stipulated in TMWA's long term bond indentures. The decrease in other assets was due to reclassification of a one year portion of a ten year environmental insurance policy premium from long term to short term. The decrease in deferred charges is due to the amortization of deferred bond issuance expenses.

Capital assets net of accumulated depreciation decreased by $2.2 million from June 30, 2010 to June 30, 2011. These changes included $0.6 million in developer infrastructure and other capital contributions, in addition to approximately $20.2 million in capital spending on construction projects and capital outlays. These increases in gross capital assets are offset by $22.3 million in depreciation expense. Capital spending on construction and outlays has been reduced significantly when compared to prior years.

Capital assets net of accumulated depreciation increased by a net $6.7 million from June 30, 2009 to June 30, 2010. This increase included $4.1 million in developer infrastructure contributions, $0.7 million in contributions from others and approximately $23.9 million in capital spending on construction projects and capital outlays. These increases in gross capital assets are offset by $22.0 million in depreciation expense. Contributions from others consisted of a final partial valuation of the Panther Valley Water Users Associations' (PVWUA) water utility assets. TMWA took over this water utility in the fourth quarter of fiscal year 2009.

At June 30, 2011, total current liabilities payable from unrestricted assets increased from June 30, 2010 by $10.8 million. The overall increase was primarily due to an increase in the current portion of long-term debt of $11.4 million related to the issuance of tax-exempt commercial paper to redeem the remaining outstanding 2001A bonds and increases in accrued interest payable and customer deposits of $0.2 million. These increases were offset by decreases in contracts and retention payable of $0.5 million and accounts payable and due to other governments of $0.3 million. Decreases in accounts payable and contracts and retention were due to lower expenses year over year in both categories.

At June 30, 2010, total current liabilities payable from unrestricted assets decreased from June 30, 2009 by $1.6 million. The overall decrease was due to a decrease in accounts payable of $0.2 million, a decrease in contracts and retention payable of $1.5 million, a decrease in accrued liabilities of $0.2 million, an increase in due to other governments of $0.1 million, and a combined decrease in accrued interest payable and customer deposits and amounts due developers for $0.1 million and an increase in current portion of long term debt of $0.1 million. The decease in accounts payable was attributed to less operating expenses year over year. The decrease in contracts and retentions payable was due to a year over year significant reduction in construction activity. The decrease in accrued liabilities was due to TMWA funding its Voluntary Employees Benefits Association (VEBA) for post retirement medical benefits. TMWA funded the Annual Required Contribution (ARC) for this obligation from fiscal year 2009 during fiscal year 2010. The increase in due to other governments was due to increases in Right of Way Toll Fees and Western Regional Water Commission Fees. The decrease in accrued interest payable was due to less accrued interest on TMWA's outstanding commercial paper, the result of significantly reduced interest rates. The reduction in customer deposits was related to customer deposits applied to delinquent accounts. The increase in the current portion of long term debt is due to new principal payments on the 2009 Drinking Water State Revolving Fund (DWSRF) loan.

At June 30, 2011 current liabilities payable from restricted assets increased by $0.1 million from June 30, 2010. The net increase was due to an increase in senior lien bond principal of $0.5 million offset by a decrease in interest payable on senior lien bonds of $0.4 million. These changes are due to the natural changes reflected in the amortization schedules on the outstanding senior lien bonds but also due to transfer of $0.3 million from debt service reserve funds to the defeasance escrow on the aforementioned 2001A bond redemption. Long term debt, net of current portion decreased $16.9 million as a result of reclassifying long term debt to short term debt of $5.5 million in addition to the defeasance of $11.4 million of outstanding 2001A bonds. Amortization of bond discounts and premiums as well as refunding valuation allowances also affected this total reduction in long term debt. Please refer to Note 6 of TMWA's Notes to the Financial Statements for additional information regarding these outstanding bonds.

At June 30, 2010 current liabilities payable from restricted assets decreased by less than $0.1 million from June 30, 2009. The net decrease was due to an increase in senior lien bond principal of $0.5 million offset by a decrease in interest payable on senior lien bonds of $0.5 million. These changes are due to the natural changes reflected in the amortization schedules on the outstanding senior lien bonds.

TMWA's Changes in Net Assets

(in millions)

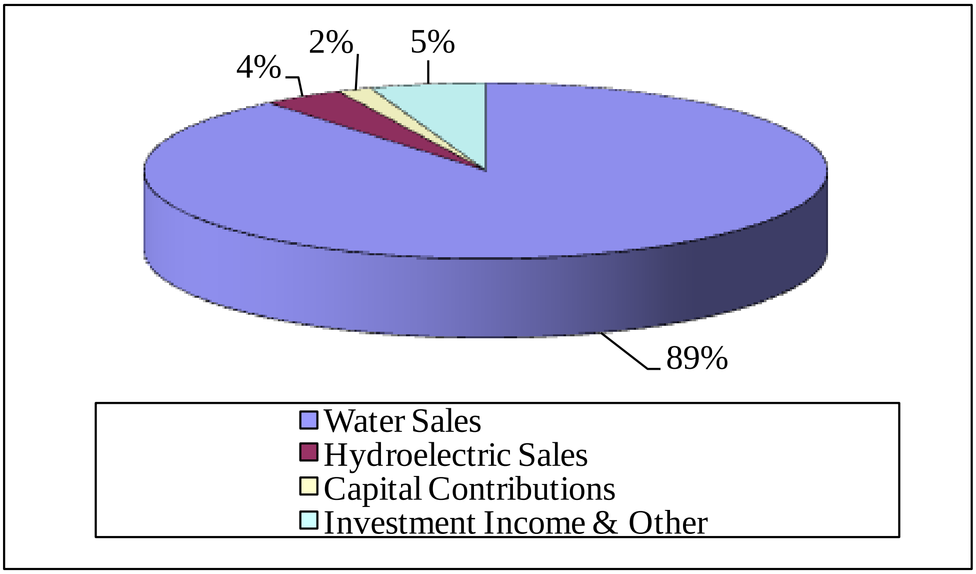
	June 30, 2011	June 30, 2010	June 30, 2009
Operating Revenues	$ 76.2	$ 75.7	$ 75.0
Operating Expenses	55.5	58.4	62.2
Operating Income	20.7	17.3	12.8
Nonoperating Revenues (Expenses) net	(21.8)	(20.3)	(19.9)
Income (Loss) before Capital Contributions	(1.1)	(3.0)	(7.1)
Capital Contributions	1.3	5.9	10.6
Change in Net Assets	$ 0.2	$ 2.9	$ 3.5

TMWA's Revenues

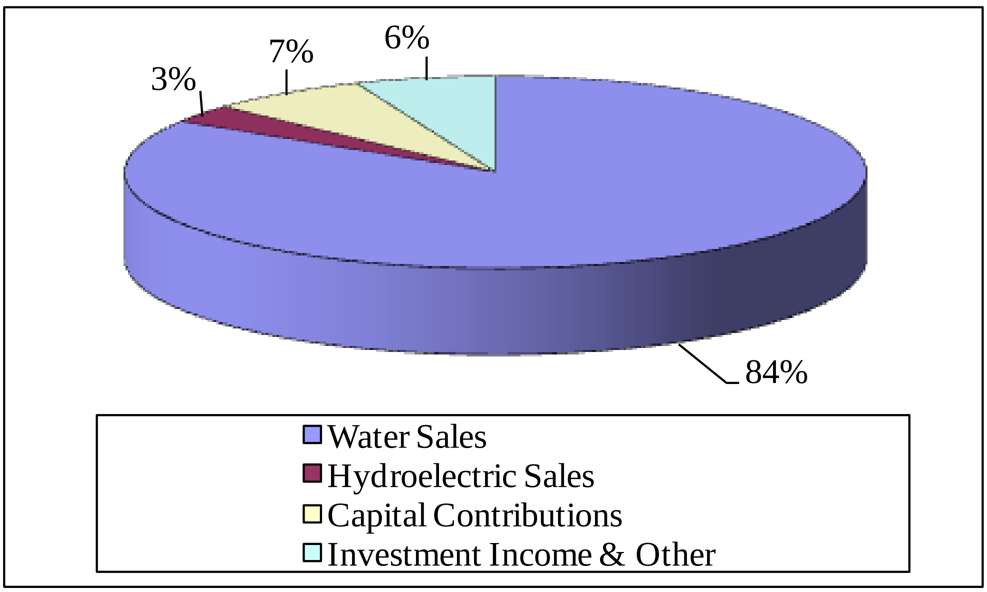
	June 30, 2011	June 30, 2010	June 30, 2009
Revenues (in millions):			
Operating Revenues			
Water Sales	$ 71.4	$ 71.2	$ 70.2
Hydroelectric Sales	3.1	2.6	2.8
Other Operating Revenues	1.7	1.9	2.0
	76.2	75.7	75.0
Non-Operating Revenues			
Investment Earnings	2.3	2.1	3.6
Other	0.4	1.2	0.6
	2.7	3.3	4.2
Capital Contributions	1.3	5.9	10.6
Total Revenues	**$ 80.2**	**$ 84.9**	**$ 89.8**

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2011, 2010 and 2009:

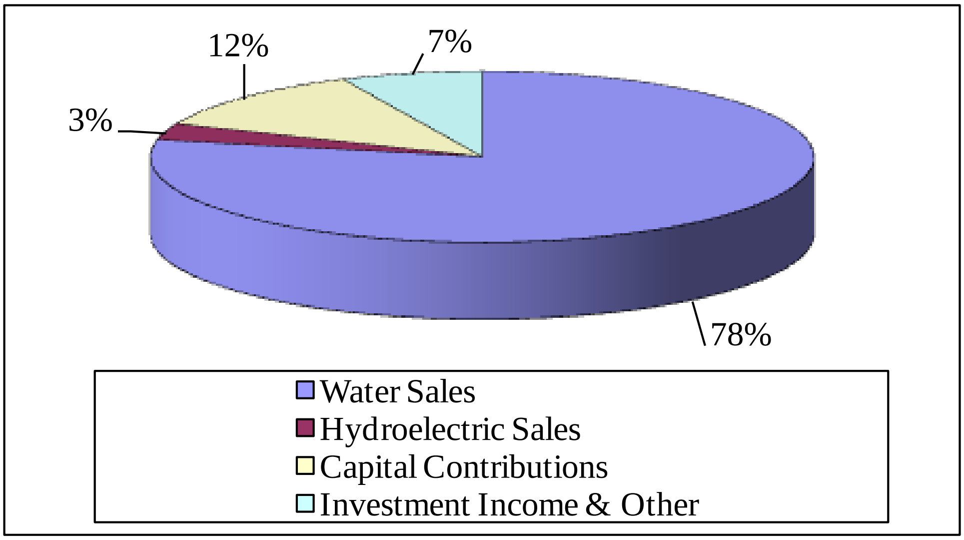
Total Revenues for the Year Ended June 30, 2011



Total Revenues for the Year Ended June 30, 2010



Total Revenues for the Year Ended June 30, 2009



For fiscal year 2011, total operating revenues increased $0.6 million from fiscal year 2010. Water sales in fiscal year 2011 were $0.2 million or 0.3% greater than in fiscal year 2010. Reduced water demands offset a 4.4% general water rate increase and was due to once again much cooler weather patterns experienced in the early fall and spring. Hydroelectric revenues were $0.5 million greater than in fiscal year 2010. The increase was due to much greater river flows because of record heavy winter precipitation. Other operating sales decreased $0.2 million year over year and was not due to any particular revenue item.

For fiscal year 2010, total operating revenues increased $0.7 million from fiscal year 2009. Water sales in fiscal year 2010 were $1.0 million or 1.4% more than in fiscal year 2009 because of a warmer June than the cooler and moist weather pattern in June of 2009. To some degree the 4.5% general rate increase that went into effect in June 2009 added some water sale revenue. Hydroelectric revenues were $0.2 million less in fiscal year 2010 than in fiscal year 2009 due to lower river flows. Other operating sales decreased $0.1 million year over year and was due to continued deterioration in collection of inspection fees on new residential and commercial construction.

For fiscal year 2011, capital contributions decreased by $4.6 million from fiscal year 2010. This decrease was across all developer collections and dedications. Water meter retrofit fees were $0.1 million less, developer infrastructure contributions were $3.6 million less, developer will serve commitments and developer capital contributions were virtually unchanged as well as developer facility charges which were $0.2 million less. Dedication from others was $0.6 million less. These dedications were reflective of very minimal customer growth.

For fiscal year 2010, capital contributions decreased in total by $4.7 million from fiscal year 2009. This significant decrease was across all developer collections and dedications with the exception of developer will-serve contributions which was $0.2 million greater year over year.

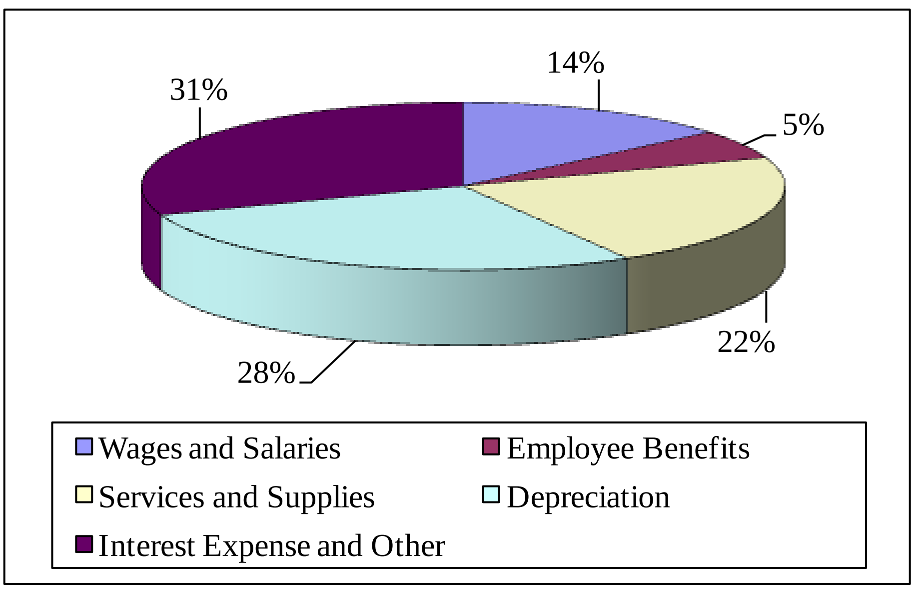
Water meter retrofit fees were $0.1 million less, developer infrastructure contributions were $2.8 million less, developer capital contributions were $0.4 million less and developer facility charges which were $0.3 million less. Contributions from other governments were $0.2 million less due to the small one-time payment in fiscal year 2009 for water system capacity. Contributions from others were $1.1 million less and reflect the final valuation for Panther Valley Water Users Association assets, a small water utility taken over by TMWA.

TMWA's Expenses

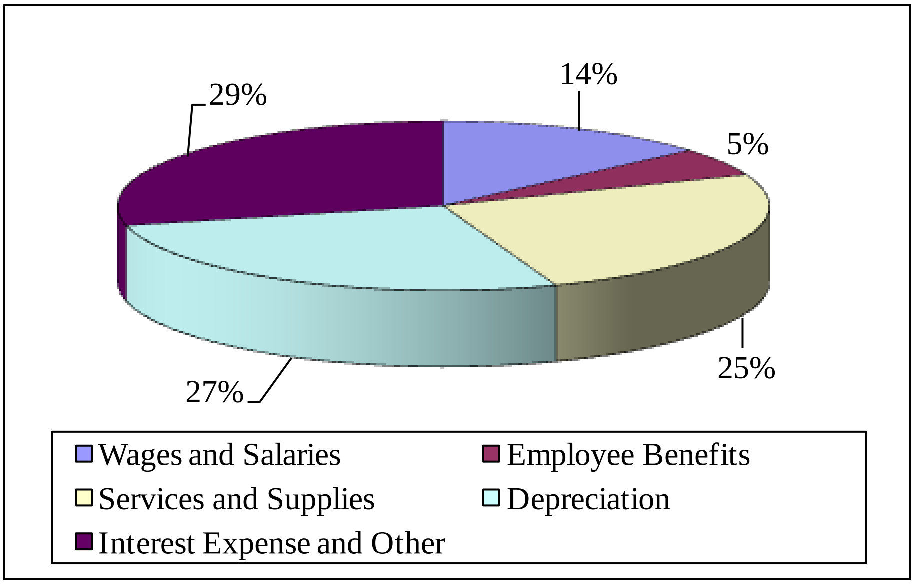
	June 30, 2011	June 30, 2010	June 30, 2009
Expenses (in millions):			
Operating Expenses			
Wages & Salaries	$ 11.1	$ 11.2	$ 11.6
Employee Benefits	4.5	4.4	4.4
Services & Supplies	17.6	20.8	24.0
Depreciation	22.3	22.0	22.2
	55.5	58.4	62.2
Non-Operating Expenses			
Interest Expense	22.4	22.3	23.5
Other Non-operating Expenses	2.1	1.3	0.6
	24.5	23.6	24.1
Total Expenses	**$ 80.0**	**$ 82.0**	**$ 86.3**

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2011, 2010 and 2009:

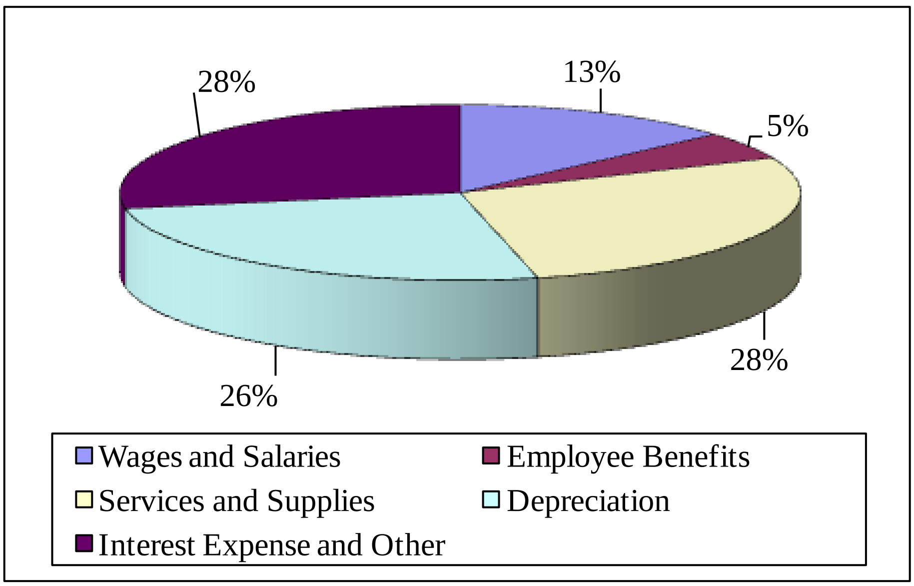
Total Expenses for the Year Ended June 30, 2011



Total Expenses for the Year Ended June 30, 2010



Total Expenses for the Year Ended June 30, 2009



The $2.9 million or 5.0% decrease in TMWA's operating expenses from fiscal year 2010 to 2011 is due to a decrease of $0.1 million in salaries and wages and a $3.2 million decrease in services and supplies expenses. These decreases offset by $0.1 million increase in benefit expenses as well as a $0.3 million increase in depreciation expense. The slight reduction in salaries and wages was due to not filling vacant positions. The slight increase in spending on benefits was due to represented employees receving a greater deferred compensation match in lieu of receiving their Team Incentive Award (TIA). Of the $3.2 million reduction in total service and supplies expenses, $2.2 million of the reduction was electric power due to using gravity flow of raw water to the Chalk Bluff Water Treatment Plant and greater time-of-use pumping in the water system. Other reductions in service and supplies spending was $0.5 million in legal fees due to reduced defense costs in the TCID lawsuit (refer to Note 8 to the financial statements), $0.4 million less in reclamation expenses on the abandoned section of the old Highland Canal and $0.3 million in less water treatment chemical use due to changes in dosing applications. TMWA will see further future expense reductions in wages, salaries, and benefits due to a Voluntary Separation Plan (VSP) that was introduced in the fourth quarter of fiscal year 2011. Fifteen personnel accepted financial inducements to retire. Depreciation expense was $0.3 million greater than the previous year as past and current year asset additions were being depreciated. Other non-operating expenses increased by $0.9 million. TMWA interest expense was $0.1 million greater than the prior year due to less capitalization of interest on construction projects. Other increases in non-operating expenses were due to the aforementioned VSP for $0.7 million, and $0.3 million in greater note issuance expenses related to TMWA’s commercial paper program. This was due to higher letter of credit fees from the renewal of the liquidity facility with Lloyds TSB. Offsetting the increases in non-operating expenses was $0.1 million less spending on merger related activities. Merger related activities involve efforts to merge the water division of Washoe County’s Department of Water Resources into TMWA.

The $3.8 million or 6.2% decrease in TMWA’s operating expenses from fiscal year 2009 to 2010 is due to a decrease of $0.4 million in salaries and wages, a $3.2 million decrease in services and supplies expenses, as well as a $0.2 million decrease in depreciation expense due to significant reduction in construction activity. The slight reduction in salaries and wages was due to not filling vacant positions. Service and supplies expenses decreased significantly year over year because of $0.9 million less emergency spending from earthquake damage to the Highland Canal system, $0.6 million less in power expenses due to lower water demands and $0.7 million less spending on contract services. No one particular expense accounts for the remainder of spending reductions. Depreciation expense was essentially the same as last year because additions to fixed assets have been significantly reduced. Other nonoperating expenses decreased by $0.5 million. Although TMWA experienced a $1.2 million reduction in interest expense this was offset by $0.7 million in expenses related to the integration/merger work being conducted on the merger of Washoe County’s water division into TMWA. Interest expenses were lower because there was less interest expense related to TMWA’s tax-exempt commercial paper program.

CAPITAL ASSETS

At June 30, 2011, TMWA’s total capital assets were $848.2 million before accumulated depreciation of $160.7 million, for a net book value of $687.5 million. Included in the total capital assets reported on the Statements of Net Assets was $4.1 million in construction work in progress. TMWA is significantly reducing spending on construction activity due to poor economic conditions.

At June 30, 2010, TMWA’s total capital assets were $838.5 million before accumulated depreciation of $148.8 million, for a net book value of $689.7 million. Included in the total capital assets reported on the Statements of Net Assets was $9.2 million in construction work in progress.

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

LONG-TERM DEBT

At June 30, 2011, TMWA had $519.0 million in total reported debt outstanding. This amount reflects $530.0 million in total outstanding principal indebtedness, $3.4 million net bond premium and $14.5 million in unamortized valuation adjustments from refunding activities. Of the $519.0 million in total reported debt outstanding $90.1 million was due in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of eight series of bonds and loans one of which was the Series 2001A bonds, issued for the acquisition of TMWA from Sierra Pacific Resources. The second indebtedness was a Series 2005 Drinking Water State Revolving Fund (DWSRF) loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold $40.0 million in water revenue bonds, the Series 2005A Bonds, to fund construction projects over the next two to three years. In May 2006, TMWA issued $150.7 million in refunding bonds to refinance $146.0 million of outstanding maturities of the Series 2001-A bonds. In Janaury 2007, TMWA issued $219.0 million in refunding bonds to refinance $212.3 million of outstanding maturities of the Series 2001A bonds. During fiscal year 2010 TMWA obtained another DWSRF loan funded by American Recovery and Reinvestment Act stimulus funding from the federal governement. The final loan amount was $2.3 million. TMWA also issued $28.2 million of 2010 Refunding Bonds to refinanice $29.5 million of certain Series 2001-A maturities. Also in fiscal year 2010 TMWA entered into another DWSRF loan arrangement for $8.5 million. TMWA has only drawn $3.9 million on this authorization as of June 30, 2011. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of $43.0 million in TECP notes in fiscal year 2007, and another $25.0 million in fiscal year 2008. TMWA issued another $11.4 million on June 28, 2011 for purposes of redeeming the remaining outstanding 2001-A bonds to reduce interest expenses. TMWA intends to re-market the commercial paper as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less than 270 days.

At June 30, 2010, TMWA had $524.0 million in total reported debt outstanding. This amount reflects $536.4 million in total outstanding principal indebtedness, $4.4 million net bond premium and $16.8 million in valuation adjustments from refunding activities. Of the $524.0 million in total reported debt outstanding $78.1 million was due in one year and is classified as short term indebtedness.

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

CURRENTLY KNOWN FACTS

TMWA's Board adopted increased retail/wholesale water rates by approximately 4.4%, on average, in June 2010 in addition to the approximately 4.5% increase, on average, in May 2009. The new rates were effective June 1, 2010 to ensure TMWA can comply with bond covenants and generate sufficient revenues to pay for expenses. From June 30, 2008 to June

30, 2009, TMWA’s senior lien debt coverage ratios dropped significantly although since then this ratio has recovered.

CONTACTING TMWA's FINANCIAL MANAGEMENT

This financial report was prepared for the benefit of the customers, bond investors, and the Board of Directors of the Truckee Meadows Water Authority. The Comprehensive Annual Financial Report was prepared to provide interested parties with a general overview of the Truckee Meadows Water Authority's accountability for the financial resources it manages. For questions or additional information, please contact the Truckee Meadows Water Authority's Finance Department at P.O. Box 30013, Reno, Nevada 89509-3013.

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BASIC FINANCIAL STATEMENTS

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and investments	$ 48,452,653	$ 49,022,359
Accounts receivable, net	10,252,438	10,957,578
Due from others	304,439	320,887
Due from other governments	264,785	1,148,933
Interest receivable	1,104,286	983,537
Prepaid assets	652,492	872,464
	61,031,093	63,305,758
RESTRICTED CURRENT ASSETS		
Cash and investments:		
Water meter retrofit program	505,729	1,129,297
Current bond debt service	20,455,509	20,326,357
	20,961,238	21,455,654
Total Current Assets	81,992,331	84,761,412
RESTRICTED NONCURRENT ASSETS		
Cash and investments:		
Future bond debt service	33,633,502	33,636,564
Operations and maintenance	6,142,914	6,670,839
Renewal and replacement	10,000,000	10,000,000
Water rate stabilization	500,000	500,000
Hydro asset purchase	2,000,000	2,000,000
	52,276,416	52,807,403
NONCURRENT ASSETS		
Capital assets, not depreciated	107,321,750	112,370,404
Capital assets, depreciated	580,218,664	577,373,230
Deferred charges	3,817,753	4,102,548
	691,358,167	693,846,182
Total Noncurrent Assets	743,634,583	746,653,585
Total Assets	$ 825,626,914	$ 831,414,997

(CONTINUED)

See accompanying notes.

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010

LIABILITIES

	2011	2010
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED CURRENT ASSETS		
Accounts payable	$ 1,588,065	$ 1,801,567
Contracts and retention payable	1,148,978	1,631,621
Accrued liabilities	2,728,008	2,722,502
Due to other governments	1,145,865	1,223,222
Accrued interest payable	139,519	85,300
Current portion of long term debt	79,735,770	68,328,959
Customer deposits and amounts due to developers	1,581,349	1,519,031
	88,067,554	77,312,202
CURRENT LIABILITIES PAYABLE FROM RESTRICTED CURRENT ASSETS		
Current portion of long term debt	10,325,000	9,815,000
Interest payable	10,130,509	10,511,357
	20,455,509	20,326,357
Total Current Liabilities	108,523,063	97,638,559
NONCURRENT LIABILITIES		
Long term debt, net of current portion	428,912,634	445,819,382
Total Liabilities	537,435,697	543,457,941
NET ASSETS		
Invested in capital assets, net of related debt	223,410,534	220,473,195
Restricted for water meter retrofit program	505,729	1,129,297
Restricted for debt service	10,325,000	9,815,000
Restricted for operations and maintenance reserve	1,542,914	2,070,839
Restricted for renewal and replacement reserve	10,000,000	10,000,000
Restricted for water rate stabilization	500,000	500,000
Unrestricted	41,907,040	43,968,725
Total Net Assets	288,191,217	287,957,056
Total Liabilities and Net Assets	$ 825,626,914	$ 831,414,997

See accompanying notes.

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
OPERATING REVENUES		
Charges for water sales	$ 71,408,240	$ 71,220,707
Hydroelectric sales	3,079,158	2,577,660
Other operating sales	1,759,035	1,869,481
Total Operating Revenues	76,246,433	75,667,848
OPERATING EXPENSES		
Salaries and wages	11,049,337	11,180,101
Employee benefits	4,537,531	4,378,347
Services and supplies	17,633,189	20,839,709
Total Operating Expenses before Depreciation	33,220,057	36,398,157
Depreciation	22,322,217	21,990,618
Total Operating Expenses	55,542,274	58,388,775
Operating Income	20,704,159	17,279,073
NONOPERATING REVENUES (EXPENSES)		
Grants	274,837	861,091
Investment earnings	2,322,169	1,894,518
Net increase (decrease) in fair value of investments	(149,687)	255,111
Gain (loss) on disposal of assets	(4,705)	8,848
Amortization of bond/note issuance costs	(989,593)	(626,476)
Interest expense	(22,431,967)	(22,291,259)
Other nonoperating revenue	150,000	327,659
Other nonoperating expense	(973,993)	(699,042)
Total Nonoperating Revenues (Expenses)	(21,802,939)	(20,269,550)
(Loss) before Capital Contributions	(1,098,780)	(2,990,477)
CAPITAL CONTRIBUTIONS		
Water meter retrofit program	170,201	248,618
Developer infrastructure contributions	507,970	4,088,095
Developer will-serve contributions (net of refunds)	125,123	133,305
Developer capital contributions-other	126,899	184,791
Developer facility charges (net of refunds)	252,748	437,933
Contributions from others	150,000	748,583
Total Capital Contributions	1,332,941	5,841,325
Change in Net Assets	234,161	2,850,848
NET ASSETS , BEGINNING OF YEAR	287,957,056	285,106,208
NET ASSETS , END OF YEAR	$ 288,191,217	$ 287,957,056

See accompanying notes.

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	$ 77,181,124	$ 75,099,153
Cash paid to employees	(16,262,764)	(15,713,658)
Cash paid to suppliers and others	(17,996,665)	(21,390,213)
Net Cash Provided by Operating Activities	42,921,695	37,995,282
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(20,027,345)	(24,666,618)
Interest paid on financing	(21,288,252)	(22,220,174)
Principal paid on financing	(10,143,959)	(9,538,902)
Proceeds from capital debt issuance	3,963,079	2,359,945
Proceeds from commercial paper note issuances	11,400,000	-
Proceeds from refunding bonds	-	31,815,676
Proceeds transferred to refunding escrow	(11,727,450)	(31,726,088)
Proceeds from capital asset disposal	35,766	9,706
Contributions for water meter retrofit program	170,201	248,618
Contributions from developers-will-serve letters	125,123	133,305
Contributions from developers-other	133,979	184,791
Contributions from developers-facility charges	252,748	437,933
Contributions from others	150,000	-
Grants	1,000,000	335,506
Bond/Note issuance costs	(704,798)	(753,828)
Net Cash (Used) by Capital and Related Financing Activities	(46,660,908)	(53,380,130)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received & net increase (decrease) in fair value of investments	2,144,104	2,604,620
Net Increase (Decrease) in Cash and Cash Equivalents	(1,595,109)	(12,780,228)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (including $74,263,057 and $74,257,884 in restricted accounts for the years ended June 30, 2011 and 2010, respectively)	123,285,416	136,065,644
CASH AND CASH EQUIVALENTS, END OF YEAR (including $73,237,654 and $74,263,057 in restricted accounts for the years ended June 30, 2011 and 2010, respectively)	$ 121,690,307	$ 123,285,416

(CONTINUED)

See accompanying notes.

TRUCKEE MEADOWS WATER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 20,704,159	$ 17,279,073
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	22,322,217	21,990,618
Other nonoperating revenues	180,000	-
Other nonoperating expenses	(871,847)	(699,042)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	705,140	(353,486)
Due from others	16,448	13,124
Due from other governments	(22,135)	(183,302)
Prepaid assets	219,972	188,583
Increase (decrease) in:		
Accounts payable	(213,502)	(168,621)
Accrued liabilities	(96,638)	(155,210)
Due to customers and developers	55,238	(45,031)
Due to other governments	(77,357)	128,576
Total Adjustments	22,217,536	20,716,209
Net Cash Provided by Operating Activities	$ 42,921,695	$ 37,995,282
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Developer infrastructure contributions	$ 507,970	$ 4,088,095
Amortization of deferred bond/loan issuance expenses	284,795	256,758
Amortization of net bond premium	(931,189)	(624,027)
Amortization of refunding allowances to interest expense	2,298,242	1,969,201
Other infrastructure contributions	-	748,583
SUPPLEMENTAL CASH FLOWS INFORMATION		
Capitalization of interest expense	199,159	717,257
Capitalization of interest revenue	92,363	327,616

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity and Purpose:

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

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

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

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

Basis of Accounting:

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

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

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

TMWA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary activities, as well as private sector guidance under Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee of Accounting Procedure, (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989 in accounting and reporting for its operations.

Budgets and Budgetary Accounting:

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

- On or before April 15, the General Manager of TMWA submits to the Board of Directors a tentative budget for the fiscal year commencing the following July 1.

- Public hearings on the tentative budget are held on the third Thursday in May.

- Prior to June 1, at a public hearing, the Board of Directors indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board. The final budget must then be forwarded to the Nevada Department of Taxation for final approval.

- Any revisions that alter total appropriations must be approved in advance by the Board. Formal budgetary integration is employed as a management control device during the year.

- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations lapse at year end.

- In accordance with State statute, actual expenses may not exceed the sum of operating and nonoperating expenses.

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the years ended June 30, 2011 and 2010. These presentations for fiscal years 2011 and 2010 are included as Supplementary Information.

Cash and Investments:

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

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

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

Cash Equivalents:

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

Accounts Receivable:

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

Restricted Assets:

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

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

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

A portion of the proceeds from the TMWA's water revenue bonds are classified as restricted assets on the Statements of Net Assets because their use is limited to the future purchase of Hydroelectric Assets, as stipulated in the Asset Purchase Agreement with NV Energy, Inc. (formerly Sierra Pacific Power Company).

Prepaid Items:

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

Capital Assets:

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

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

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

Compensated Absences:

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

Classification of Revenues:

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

Reclassification:

Certain accounts in June 30, 2010 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2011 financial statements.

NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES AND THE NEVADA ADMINISTRATIVE CODE

TMWA conformed to all significant statutory constraints on its financial administration during the year, with the following possible exception:

TMWA did not submit the annual required reports for its unclaimed property. This is an apparent violation of Nevada Revised Statute 120A.520. TMWA has taken immediate action to correct the oversight.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consisted of the following:

	June 30, 2011	June 30, 2010
Billed amounts	$ 4,270,468	$ 4,595,993
Earned, but unbilled amounts	6,582,149	6,874,001
	10,852,617	11,469,994
Allowance for uncollectibles	(600,179)	(512,416)
Accounts receivable, net	$10,252,438	$10,957,578

NOTE 4 – CASH AND INVESTMENTS

Deposits:

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2011, the carrying amount of TMWA's deposits of $8,635,448 was less than the respective bank balance of $9,385,127 by $749,679. At June 30, 2010, the carrying amount of TMWA's deposits of $9,860,297 was more than the respective bank balance of $9,804,017 by $56,280. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

Investments:

As of June 30, 2011 TMWA had the following investments and maturities:

	Fair Value	Less than 1 Year	1 - 3 Years
INVESTMENTS:			
U.S. Agencies	$ 33,411,123	$ 10,742,340	$ 22,668,783
U.S. Treasuries	2,138,026	2,138,026	-
Guaranteed Investment Contracts	34,355,718	34,355,718	-
LGIP	1,366,468	1,366,468	-
Money Market Mutual Funds	31,675,712	31,675,712	-
Corporate Notes (TLGP)	10,103,512	10,103,512	-
Total Investments	$113,050,559	$ 90,381,776	$ 22,668,783

As of June 30, 2010 TMWA had the following investments and maturities:

	Fair Value	Less than 1 Year	1 - 3 Years
INVESTMENTS:			
U.S. Agencies	$ 35,857,450	$ 17,157,265	$ 18,700,185
U.S. Treasuries	7,560,169	7,560,169	-
Guaranteed Investment Contracts	34,355,718	34,355,718	-
LGIP	1,363,634	1,363,634	-
Money Market Mutual Funds	25,092,566	25,092,566	-
Corporate Notes (TLGP)	9,191,282	6,499,830	2,691,452
Total Investments	$113,420,819	$ 92,029,182	$ 21,391,637

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

Interest Rate Risk:

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

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agency securities, "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a debt reserve fund with LGIP, which is an unrated external investment pool and has an investment duration of 69 days. In addition, the guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies are rated "AAA" and when investments are made in corporate commercial paper these investments are rated "A-1+"/"P-1". Investments in corporate notes under the Temporary Liquidity Guarantee Program (TLGP) are rated "AAA".

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Securities held by TMWA or by TMWA's custodians are diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

At June 30, 2011 and 2010, the following investments by issuer, exceeded 5% of TMWA's total investments:

	June 30, 2011	
Bank of America Guaranteed Investment Contract	$29,755,718	26.32%
Federal National Mortgage Association	$11,188,786	9.90%
Federal Home Loan Bank	$16,814,734	14.87%
Federal Home Loan Mortgage Corporation	$10,103,512	8.94%
General Electric	$ 5,868,191	5.19%

	June 30, 2010	
Bank of America Guaranteed Investment Contract	$29,755,718	26.23%
U.S. Treasuries	$ 7,554,986	6.66%
Federal National Mortgage Association	$11,169,440	9.85%
Federal Home Loan Bank	$12,998,780	11.46%
Federal Home Loan Mortgage Corporation	$11,799,555	10.40%

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	$ 9,225,924	$ 2,389,980	$ (7,547,155)	$ 4,068,749
Land	11,029,827	108,521	-	11,138,348
Water rights	92,114,653	-	-	92,114,653
Total Capital Assets not Being Depreciated	112,370,404	2,498,501	(7,547,155)	107,321,750
Capital Assets Being Depreciated:				
Distribution mains	273,958,999	8,189,184	(1,786,454)	280,361,729
Plant	145,871,250	8,507,431	-	154,378,681
Services	106,363,553	1,571,366	(2,269,972)	105,664,947
Booster pump stations	36,579,640	1,286,554	(1,257,988)	36,608,206
Tanks	57,153,591	644,365	(52,529)	57,745,427
Wells	22,731,053	2,544,129	(516,197)	24,758,985
Pressure reducing valves	5,260,013	136,284	(235,195)	5,161,102
Canals/Siphons	34,899,224	1,451,356	(6,152)	36,344,428
Reservoirs	11,897,134	-	(897,265)	10,999,869
Vehicles	3,283,944	36,334	(4,046)	3,316,232
Furniture and fixtures	686,955	9,042	(138)	695,859
Computer hardware and software	5,046,722	206,456	(3,470,010)	1,783,168
Lab equipment	59,199	-	(33,593)	25,606
Hydroelectric facilities	13,701,136	437,696	-	14,138,832
Corporate building	8,712,910	187,925	-	8,900,835
Total Capital Assets Being Depreciated	726,205,323	25,208,122	(10,529,539)	740,883,906
Accumulated Depreciation:				
Distribution mains	(33,860,444)	(5,054,976)	1,767,118	(37,148,302)
Plant	(39,255,924)	(4,952,952)	-	(44,208,876)
Services	(35,389,620)	(5,628,344)	2,269,971	(38,747,993)

	Beginning Balances	Increases	Decreases	Ending Balances
Booster pump stations	$ (7,767,451)	$ (1,321,977)	$ 1,244,552	$ (7,844,876)
Tanks	(7,257,736)	(1,273,494)	51,162	(8,480,068)
Wells	(8,243,715)	(1,413,236)	516,197	(9,140,754)
Pressure reducing valves	(2,137,138)	(323,427)	234,273	(2,226,292)
Canals/Siphons	(3,089,123)	(840,360)	6,152	(3,923,331)
Reservoirs	(3,647,900)	(376,415)	892,098	(3,132,217)
Vehicles	(2,136,055)	(297,775)	3,810	(2,430,020)
Furniture and fixtures	(428,598)	(68,920)	132	(497,386)
Computer hardware and software	(4,065,578)	(272,651)	3,470,010	(868,219)
Lab equipment	(33,593)	(5,121)	33,593	(5,121)
Hydroelectric facilities	(781,149)	(315,463)	-	(1,096,612)
Corporate building	(738,069)	(177,106)	-	(915,175)
Total Accumulated Depreciation	(148,832,093)	(22,322,217)	10,489,068	(160,665,242)
Total Capital Assets Being Depreciated, Net	577,373,230	2,885,905	(40,471)	580,218,664
Total Capital Assets, Net	$ 689,743,634	$ 5,384,406	$ (7,587,626)	$ 687,540,414

Capital asset activity for the year ended June 30, 2010 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	$ 20,482,964	$ 4,559,866	$ (15,816,906)	$ 9,225,924
Land	10,863,596	166,231	-	11,029,827
Water rights	92,114,653	-	-	92,114,653
Total Capital Assets not Being Depreciated	123,461,213	4,726,097	(15,816,906)	112,370,404

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Being Depreciated:				
Distribution mains	$ 263,821,863	$ 10,137,136	$ -	$ 273,958,999
Plant	145,650,572	220,678	-	145,871,250
Services	104,532,714	1,830,839	-	106,363,553
Booster pump stations	35,115,481	1,464,159	-	36,579,640
Tanks	46,419,788	10,733,803	-	57,153,591
Wells	22,503,719	227,334	-	22,731,053
Pressure reducing valves	5,258,195	1,818	-	5,260,013
Canals	20,300,977	14,598,247	-	34,899,224
Reservoirs	11,897,134	-	-	11,897,134
Vehicles	4,187,616	-	(903,672)	3,283,944
Furniture and fixtures	654,773	32,348	(166)	686,955
Computer hardware and software	6,369,607	217,763	(1,540,648)	5,046,722
Lab equipment	33,593	25,606	-	59,199
Hydroelectric facilities	13,397,963	303,173	-	13,701,136
Corporate building	8,686,805	26,105	-	8,712,910
Total Capital Assets Being Depreciated	688,830,800	39,819,009	(2,444,486)	726,205,323
Accumulated Depreciation:				
Distribution mains	(28,933,739)	(4,926,705)	-	(33,860,444)
Plant	(34,268,150)	(4,987,774)	-	(39,255,924)
Services	(29,853,676)	(5,535,944)	-	(35,389,620)
Booster pump stations	(6,446,018)	(1,321,433)	-	(7,767,451)
Tanks	(6,140,167)	(1,117,569)	-	(7,257,736)
Wells	(6,867,129)	(1,376,586)	-	(8,243,715)
Pressure reducing valves	(1,809,063)	(328,075)	-	(2,137,138)
Canals	(2,541,404)	(547,719)	-	(3,089,123)
Reservoirs	(3,271,400)	(376,500)	-	(3,647,900)
Vehicles	(2,705,668)	(333,252)	902,865	(2,136,055)
Furniture and fixtures	(361,620)	(67,093)	115	(428,598)
Computer hardware and software	(5,028,055)	(578,171)	1,540,648	(4,065,578)
Lab equipment	(26,875)	(6,718)	-	(33,593)
Hydroelectric facilities	(470,308)	(310,841)	-	(781,149)
Corporate building	(561,831)	(176,238)	-	(738,069)

	Beginning Balances	Increases	Decreases	Ending Balances
Total Accumulated Depreciation	$ (129,285,103)	$ (21,990,618)	$ 2,443,628	$ (148,832,093)
Total Capital Assets Being Depreciated, Net	559,545,697	17,828,391	(858)	577,373,230
Total Capital Assets, Net	$ 683,006,910	$ 22,554,488	$ (15,817,764)	$ 689,743,634

NOTE 6 – LONG-TERM DEBT

The 2001A Bonds issued June 1, 2001 constitute special, limited obligations of TMWA. The principal of and interest on the Bonds are payable solely from and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The Bonds do not constitute a general obligation of TMWA, nor do these bonds constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada.

On June 8, 2005 TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Arsenic Mitigation Project. TMWA made draws on this contract as construction proceeded, totaling $4,669,565. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the 2001A Bonds issued June 1, 2001, as well as future senior lien bonds.

On November 15, 2005 TMWA issued $40,000,000 in Series 2005A water revenue bonds which constitute special limited obligations of TMWA. The principal and interest are payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The bonds do not constitute a general obligation of TMWA, and do not constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years. These senior lien bonds were sold on senior lien parity with the 2001A bonds.

On May 3, 2006 TMWA issued $150,745,000 in Series 2006 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund $145,970,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by $5,901,299. The unamortized balance was netted against the new outstanding debt and is being amortized as a component of interest expense over the remaining life of the newly issued debt, which has a shorter remaining life than the refunded debt. This advance refunding was undertaken to reduce total debt service payments over 27 years by $10,016,065, and resulted in an economic gain of $5,152,424. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2011 and 2010 was $147,385,982 and $147,796,530, respectively.

On August 15, 2006 TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that authorized the issuance of up to $160,000,000 in TECP notes. Of the total authorization, TMWA has issued $79,400,000 and $68,000,000 as of June 30, 2011 and June 30, 2010, respectively. The first draw was on August 16, 2006 for $30,000,000, a second draw was on December 5, 2006 for $13,000,000, a third draw was made on February 15, 2008 for $25,000,000, and a fourth draw was made on June 28, 2011 for $11,400,000, for a total issuance of $79,400,000 which was outstanding as of June 30, 2011. The proceeds from the first two draws were used solely to purchase water rights for future sale of will serve commitments to developers. The third draw was to fund certain construction projects on an interim basis. The fourth draw was to refund four maturities totaling $11,425,000 of the 2001A Bonds. The proceeds of the tax-exempt commercial paper notes combined with $25,000 in unrestricted cash were transferred to an irrevocable trust. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. This refunding was undertaken to reduce total debt service payments over 5 years by $876,725, and resulted in an economic gain of $829,538. The reacquisition price approximated the net carrying amount of the old debt. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2011 was $11,727,450. The TECP program is facilitated by a direct pay letter of credit between TMWA and Lloyds TSB Bank PLC. The letter of credit expired, was renegotiated and extended to August 16, 2012. The average interest rate on the outstanding balance of TECP as of June 30, 2011 and June 30, 2010 was 0.21% and 0.33% respectively. As of June 30, 2011 the total TECP notes outstanding were comprised of 12 tranches ranging in size from $0.4 million to $27.1 million and ranging in maturities from 21 to 154 days. As of June 30, 2010 the total TECP notes outstanding were composed of 5 tranches ranging in size from $2.0 million to $21.3 million and ranging in maturities from 71 to 92 days.

On January 17, 2007 TMWA issued $218,975,000 in Series 2007 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund $212,275,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by $15,284,819. The unamortized balance was netted against the new outstanding debt and is being amortized as a component of interest expense over the remaining life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over 24 years by $18,192,500, and resulted in an economic gain of $10,439,350. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2011 and June 30, 2010 was $215,602,215 and $216,185,541, respectively.

On July 25, 2009 TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to partially fund TMWA's Mogul Bypass Siphon Project. The loan was provided though the American Recovery and Reinvestment Act (ARRA) stimulus funding provided by the federal government. TMWA made draws on this contract as construction proceeded, totaling $2,309,945. An additional draw was made in fiscal year 2011 for $91,175 which brought the total draws on the loan balance to $2,401,120. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan is payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2001A Bonds, the 2005A Bonds, 2006 Refunding Bonds, the 2007 Refunding Bonds, and the 2010 Refunding Bonds, as well as future senior lien bonds.

On January 28, 2010 TMWA issued $28,240,000 in Series 2010 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund $29,515,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by $1,657,234. The unamortized balance has been netted against the new outstanding debt and is being amortized as a component of interest expense over the remaining life of the old and new debt, which has the same remaining life. This advance refunding was undertaken to reduce total debt service payments over approximately 3.5 years by $2,332,160, and resulted in an economic gain of $1,947,941. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2011 and June 30, 2010 was $30,326,663 and $32,282,836, respectively.

On February 11, 2010 TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Glendale Water Treatment Plant Diversion Project. TMWA is making draws on this contract as construction proceeds, with a total authorization of $8,500,000. Total construction costs for the Glendale Diversion Project were less than expected. Consequently TMWA requested and was granted that the remaining loan authorization be able to fund final improvements on the Highland Canal. As of June 30, 2011 total draws on the loan were $3,921,904. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the senior lien 2001A Bonds, the 2005A Bonds, 2006 Refunding Bonds, 2007 Refunding Bonds, and the 2010 Refunding Bonds, as well as future senior lien bonds.

The following schedules summarize the changes in long-term obligations as of June 30, 2011 and 2010.

June 30,2011	Final Maturity Date	Authorized	Balance July 1,2010	Additions	Deletions	Balance June 30,2011	Due in 2011-2012
Supported by User Charges:							
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2016	$ 448,810,000	$ 28,590,000	$ -	$ 19,780,000	$ 8,810,000	$ 8,810,000
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	7/1/2025	4,669,565	3,983,431	-	210,500	3,772,931	217,311
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	37,920,000	-	740,000	37,180,000	765,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	150,135,000	-	320,000	149,815,000	330,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	217,005,000	-	400,000	216,605,000	420,000
2009 A Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,401,120	2,309,945	91,175	118,459	2,282,661	118,459
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	28,240,000	-	-	28,240,000	-
2010 A Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	TBD	8,500,000	201,110	3,720,794	-	3,921,904	-
Subtotal		902,340,685	468,384,486	3,811,969	21,568,959	450,627,496	10,660,770
Less: Unamortized net bond discount (premium)			(4,371,510)	-	(931,189)	(3,440,321)	
Less: Unamortized losses on refundings			16,792,655	-	2,298,242	14,494,413	
Total Debt Before Tax Exempt Commercial Paper			455,963,341	3,811,969	20,201,906	439,573,404	
TMWA Tax-Exempt Commercial Paper		160,000,000	68,000,000	11,400,000	-	79,400,000	79,400,000
Total Debt		$ 1,062,340,685	$ 523,963,341	$ 15,211,969	$ 20,201,906	$ 518,973,404	$ 90,060,770

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

June 30,2010	Final Maturity Date	Authorized	Balance July 1,2009	Additions	Deletions	Balance June 30,2010	Due in 2010-2011
Supported by User Charges:							
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2016	$ 448,810,000	$ 66,035,000	$ -	$ 37,445,000	$ 28,590,000	$ 8,355,000
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	7/1/2025	4,669,565	4,187,333	-	203,902	3,983,431	210,500
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	38,635,000	-	715,000	37,920,000	740,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	150,445,000	-	310,000	150,135,000	320,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	217,385,000	-	380,000	217,005,000	400,000
2009 Water Revenue DWSRF ARRA (Tax Exempt) Bonds 0%	7/1/2029	2,309,945	-	2,309,945	-	2,309,945	118,459
2010 Water Revenue (Tax Exempt) Refunding Bonds 5.00%	7/1/2015	28,240,000	-	28,240,000	-	28,240,000	-
2010 Water Revenue DWSRF (Tax Exempt) Bonds 3.25%	TBD	8,500,000	-	201,110	-	201,110	-
Subtotal		902,249,510	476,687,333	30,751,055	39,053,902	468,384,486	10,143,959
Less: Unamortized net bond discount (premium)			(2,267,963)	(3,575,676)	(1,472,129)	(4,371,510)	
Less: Unamortized losses on refundings			17,104,622	1,657,234	1,969,201	16,792,655	
Total Debt Before Tax Exempt Commercial Paper			461,850,674	32,669,497	38,556,830	455,963,341	
TMWA Tax-Exempt Commercial Paper		160,000,000	68,000,000	-	-	68,000,000	68,000,000
Total Debt		$ 1,062,249,510	$ 529,850,674	$ 32,669,497	$ 38,556,830	$ 523,963,341	$ 78,143,959

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

Debt to Maturity	Principal Payment	Interest Payment	Total Debt Service
June 30:			
2012	$ 90,060,770	$ 20,410,006	$ 110,470,776
2013	2,230,219	20,067,410	22,297,629
2014	10,692,562	19,769,948	30,462,510
2015	12,815,471	19,208,089	32,023,560
2016	11,923,965	18,616,165	30,540,130
2017-2021	76,489,033	83,404,700	159,893,733
2022-2026	94,966,306	65,111,050	160,077,356
2027-2031	115,879,645	42,269,041	158,148,686
2032-2036	117,092,621	12,568,552	129,661,173
2037	2,455,000	61,375	2,516,375
Subtotal	534,605,592	301,486,336	836,091,928
Less: amounts authorized but unissued	4,578,096	-	4,578,096
Total	$ 530,027,496	$ 301,486,336	$ $ 831,513,832

Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in fiscal year 2012. It is the intent of TMWA that as TECP matures, the interest and principal will be remarketed into new commercial paper notes.

NOTE 7 – NET ASSETS

Restricted Net Assets:

TMWA records the following restrictions of net assets:

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

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

Board Designation:

The TMWA Board of Directors has designated $1,848,864 for the water rate stabilization. This designation is not reflected as restricted net assets, but is considered a designated portion of unrestricted net assets.

NOTE 8 – CONTINGENT LIABILITIES

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

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

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

The Court had scheduled a trial beginning November 3, 2010 on TCID's claim for damages and TMWA's claim for contribution. However, by order dated August 30, 2010, all proceedings at the trial court level are now stayed pending the outcome of the appeal discussed above.

It is not possible at this time to predict the final outcome of the litigation. However, TMWA will continue to vigorously defend the matter and counsel for TMWA believes that TCID's allegations that damages are or exceed $50 million are greatly exaggerated.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – TERMINATION BENEFITS

TMWA established a Voluntary Separation Program (VSP) which was offered to eligible employees from February 1, 2011 to March 4, 2011. The purpose of the VSP was to encourage eligible employees to consider an early leave decision to accelerate their retirement plans. Eligible employees included those age 55 with 5 years of service at the time of separation. The offered benefit was calculated based upon years of service to separation date. Fifteen employees elected to voluntarily resign from TMWA employment no later than August 26, 2011. The liability and expense to TMWA was approximately $682,000 which reflects payments made prior to fiscal year end and within 7 months after the fiscal year ended June 30, 2011. In addition to the inducement, TMWA also paid all vested vacation and sick leave, if applicable. TMWA recorded the entire liability and associated expense in fiscal year 2011, the year the VSP was offered to eligible employees.

NOTE 11 – PENSIONS AND OTHER EMPLOYEE BENEFITS

Defined Benefit Plan:

Plan Description. TMWA contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement, disability and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised

Statutes establishes the benefit provisions provided to participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes the financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

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

	Contribution Rate		
Fiscal Year	Employer Pay Plan	Employee-Employer Plan	Total Contribution
2010/2011	21.50%	11.25%	$ 2,740,899
2009/2010	21.50%	11.25%	$ 2,762,370
2008/2009	20.50%	10.50%	$ 2,633,279

Deferred Compensation Plans:

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, all employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. As of June 30, 2011 TMWA had matching contributions totaling $743,758 and $577,314 as of June 30, 2010.

Other Post-Employment Benefit Plan (OPEB):

Plan Description. The Truckee Meadows Water Authority Post-Retirement Medical Plan and Trust (Plan), a single-employer defined benefit OPEB plan was established to provide eligible TMWA employees with post-employment health benefits. The Plan was amended to provide post-retirement life insurance benefits in July 2011. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, the Plan is governed by not less than three but not more than five trustees. Four trustees were appointed by the TMWA

Board of Directors, two from non-represented employees and two from represented employees. The Plan issues a financial report that includes the financial statements and required supplementary information. That report may be obtained by contacting TMWA in writing at P.O. Box 30013, Reno, NV 89520-3013.

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

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

The number of participants and retirees as of March 1, 2010, the effective date of the OPEB valuation was 168, and six, respectively. TMWA offered to employees an early retirement incentive Voluntary Separation Plan (VSP). This increased the number of retirees receiving benefits from the plan to 16 retirees as of June 30, 2011.

Funding Policy, Annual OPEB Cost and Net OPEB Obligation. For the year ended June 30, 2010 TMWA paid $44,853 on behalf of retirees. Since that year, the Plan has funded retiree benefits through its Voluntary Employee Benefit Association (VEBA) that TMWA established as an irrevocable trust for funding of the post-employment health benefits.

TMWA's annual OPEB cost, the percentage and amount of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$ 185,251	$ 185,251	100%	$ -
2010	$ 191,950	$ 191,950	100%	$ -
2009	$ 518,064	$ 518,064	100%	$ -

The net OPEB obligation as of June 30, 2011 and 2010 was calculated as follows:

	2011	2010
Annual Required Contribution (ARC):		
Normal cost	$ 216,360	$ 3,346
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	(31,109)	188,604
Annual Required Contribution (ARC)	$ 185,251	$ 191,950
Determination of Net OPEB Obligation		
Annual Required Contribution (ARC)	$ 185,251	$ 191,950
Annual OPEB Cost	$ 185,251	$ 191,950
Retiree Benefit Payments Paid	-	(44,853)
Contributions Made to Trust	(185,251)	(147,097)
Increase (Decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation, Beginning of Year	-	-
Net OPEB Obligation, End of Year	$ -	$ -

Funded Status and Funding Progress. The funded status of the Plan as of the most recent actuarial valuation (March 1, 2010) was as follows:

Actuarial Accrued Liability (AAL) (a)	$ 4,615,337
Actuarial Value of Plan Assets (b)	4,967,671
Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	$ (352,334)
Funded Ratio (Actuarial Value of Plan Assets/AAL) (b) / (a)	107.63%
Covered Payroll (c)	$ 12,685,048
UAAL as a Percentage of Covered Payroll [(a) - (b)] / (c)	(2.78)%

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

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

Actuarial valuation date	March 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	29 years
Investment rate of return	8.00%
Projected salary increases	3.50%
Healthcare inflation rate	6.00%

NOTE 12 – COMMITMENTS

At June 30, 2011, TMWA was committed under the Asset Purchase Agreement to expend $8,000,000 for the purchase of Hydroelectric Assets. NV Energy, Inc. and TMWA have agreed to pro-rate this sum equally among the four run-of-river hydroelectric plants so the plants could be purchased individually. As of June 30, 2011 TMWA had completed the purchase of three of the four run-of-river hydroelectric plants for $6,000,000 or two million dollars each. One hydro plant was purchased in fiscal year 2008 and the other two hydro plants were purchased in fiscal year 2009. The purchase of the fourth and last hydro plant is at an unspecified future date.

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

TMWA has committed a maximum of 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2012 as a contribution in fiscal year 2012 to the Truckee River Fund of the Community Foundation of Western Nevada for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

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